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CREDIT

... Financial Management.

MONTHLY

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■ JANUARY, 1931 ■

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A. Filene—page 8

Where Statistics Fail, by L. H.
Whitehead—page 21

Analysis of United States Bank-
ruptcy Statistics—page 27

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Total.....	2,579

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1928	1	1,987	74 %
1927	2	2,239	92 %
1926	3	2,592	107 %
1925	4	2,732	114 %
1924	5	2,965	151 %
1923	6	3,398	170 %
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921 BOYLSTON STREET, BOSTON, MASSACHUSETTS

CREDIT

MONTHLY

The National Magazine of Business Fundamentals

CONTENTS FOR JANUARY, 1931

■ Looking Ahead

CREDIT MONTHLY's readers are hereby informed that the February issue of CREDIT MONTHLY will be a number full of surprises—so many and so unusual that the Editor feels their effect would be spoiled by even so much as a hint in advance as to their nature. Suffice it to say that there will be innovations from cover to cover, and not the least important will appear on the cover itself.

Several interesting series of articles will begin in the February issue, among them the series on Executive Office Management by H. P. Preston. The first article will be on Office Planning and Arrangement.

That is the only definite information that can be given about the February issue at this time. Anticipation heightens enjoyment!

CHESTER H. McCALL, Editor and Business Manager

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.....EVENT AND COMMENT.....

Cancelling World War Debts

reduction of inter-allied debts has been increasingly discussed throughout the world. This question has an importance far beyond the dollar magnitude of the debts involved. Without commenting on the many arguments on both sides of the controversy and aside from the question of the justice of cancellation, I am firmly convinced it would be good business for our government to initiate a reduction in these debts at this time."

This question probably involves one of the most significant and difficult credit administrative problems of the day. As Mr. Wiggin says, there are many arguments on both sides of the controversy. There is also the question of the justice of cancellation.

This great problem is not fundamentally different from many problems that credit executives are meeting each day. But it is one of far greater magnitude, and one that involves many more intricate and far reaching effects. Mr. Wiggin's proposal was received both favorably and unfavorably in government circles. Many business leaders sympathize with his viewpoint. And just as many others do not. There is a clear cut division of opinion on this subject from a business point of view.

It is not the purpose of this editorial to analyze the arguments, both pro and con, that are inherent in a program for the cancellation of World War debts. Rather it is the purpose to state the question and ask *CREDIT MONTHLY* readers to give their answers to the problem. Are you in favor of a reduction and cancellation of these international debts? As you approach the question on the basis of your intensive experience as a commercial credit and financial executive, how do you view the situation? Would you consider such a procedure as sound credit administration? Do you think the international amity that might accrue as a result of this program would outweigh the business and financial elements of the situation that might not seem entirely sound? Write in to *CREDIT MONTHLY* as soon as possible and give your analysis of this proposition. The viewpoint of the credit executives of the country should certainly throw an important light on this great problem that is certain to be very much before the public during the coming months.

ALBERT H. WIGGIN, Chairman of the Chase National Bank, the world's largest financial institution, has recently startled the country with the proposal that war debts should be cut and cancelled. Mr. Wiggin said, in part, "Cancellation or

If Everybody Paid

WHAT WOULD be the effect on general business activity if all concerns who are in a sound and liquid condition would pay their bills promptly, instead of holding off and waiting to see what is going to happen? Conjectures such as this are particularly interesting. It is very true that there are a great many business organizations throughout the country who could pay all of their bills promptly but who have been postponing the payment of their bills as long as they possibly can.

Mr. John L. Richey, Secretary of the Cincinnati Association of Credit Men, reports that the Board of Directors of the Cincinnati Association have, by resolution, expressed themselves that if the National Association of Credit Men and the various Retail Merchants Associations could get behind such a movement, locally and nationally, the result would be a speeding up of business which would be extremely beneficial at this time.

This resolution presents an additional psychological fact that is of fundamental importance. Not only would such a movement improve the credit conditions of the country and accelerate the turnover of money, but it would provide an impetus of psychological importance that would gradually spread throughout other phases of business.

For several months, business has been in that slipshod state of mind which makes business men say "If others are not instituting expansion programs, increasing their advertising and paying their bills, why should I?" A case was recently reported to *CREDIT MONTHLY* in which a treasurer of a financially sound company observed that the average length of outstanding payables for companies like his own was twenty days greater than the payables of his own company. He issued an order that all payments should be held up twenty days so that his company could take advantage of the extra twenty days just as the other companies were doing. It is the accumulation of such childish attitudes as this that has imposed an unnecessarily heavy burden on business.

It is to be hoped that every credit and financial executive who reads this editorial does not countenance any such psychologically and administratively unsound and childish attitude as has just been described. The credit fraternity is in a position to point the way with a strong psychological attack against unsound credit practices. The effect of such a cumulative movement would be felt throughout business and would be a most salutary stimulation at the present time.



Shoveling Snow

As I was out in front of the house shoveling snow on the afternoon before Christmas a passerby paused a moment to say, "See you're shoveling snow." "Yes", I answered, "I like the exercise." He emitted a peculiar half-grunting, half-laughing sound and started down the street. Half a block away he paused momentarily to look back. He then continued on his way but I saw him stop and speak to another man who was clearing the walk in front of his house. After a moment's thought I propped the shovel against the side of a small tree and set out to conduct an experiment that this incident brought to my mind.

A block away I paused to say to a man who was shoveling snow as I had been, "See you're shoveling snow." He looked up, a scowl on his face as he grumbled, "Yes, all of the neighbors have had their walks cleaned off. Have to keep my walks looking as well as theirs." I had to walk two blocks before I found another man who was clearing the snow away. He seemed to be enjoying himself and when I commented, "See you're shoveling snow," he answered, "I think it's going to freeze tonight and if it does this walk in front of the house will be as slick as glass. I'm afraid someone might fall and get injured." Half a block away I paused momentarily to look back at this man. The third man I spoke to replied, "Yes, and unless things pick up I'll be mowing the lawn next spring. This is the first time in six years that I've had to do anything like this. You know every dollar counts now." We discussed the depression for a few minutes before I went on. The fourth man I approached on my experimental venture answered, "I like this. Wouldn't mind doing it all afternoon. Every shovel full shows results. There is something to show for the effort. Every foot cleared gives me real satisfaction." The experiment ended here for my fourth subject began to talk and within half an hour had poured out his grievances to me, telling me how he did almost all of the work in an advertising agency and how the account executive received all of the credit. "No recognition at all for the effort put in", he commented.

It is an interesting fact, isn't it, that each of the answers given by the four men in reply to my observatory comment, "See you're shoveling snow", provides a clear and accurate interpretation of the character of the man? Re-read the replies of these men and see if you do not get a fairly clear picture of the man and his motives. In such little things as shoveling snow we get an indication of what men are. It was Emerson who said that what a man is speaks so loudly that one cannot hear what he has to say about himself.



Frank With Frankenstein

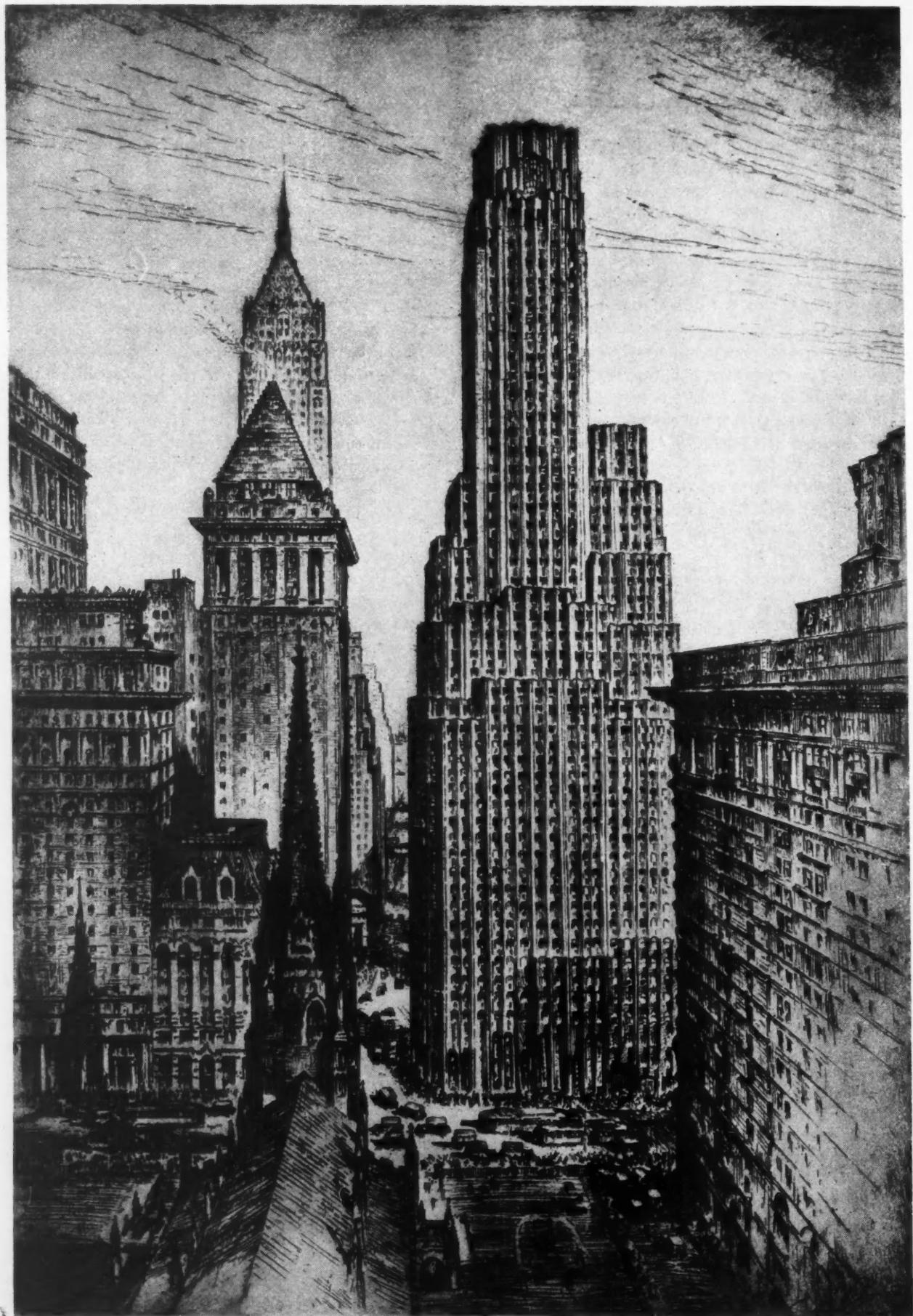
LET US BE frank with the Frankenstein giant known as the machine age. Mary Shelley's "Frankenstein" gave us the situation of a man who made a being that proved a torment to its maker. Man has made the machine his slave and now a great many people are claiming that the machine is making a slave of man. Some people even go so far as to state that man's mechanical creations will destroy his social order.

Machine production supplanting labor production is justified only if there is sufficient reduction in the price of the product to create an increased purchasing power which will develop new and bigger demands that will put the unemployed to work at something to fill this newly created demand. From a social point of view, there is probably no justification in a company replacing 150 men with machines to get more efficient production unless the resulting product price is much lower. The trouble doesn't lie in the fact that machines are putting men out of work but in the fact that when machines do this they do not give the country cheaper goods and greater purchasing power.

It isn't so much machinery of iron and steel that is causing so much trouble to business today, but machinery of methods and procedure which so-called efficient business has devised. For instance, an article is manufactured for \$10.00. This \$10.00 includes the manufacturing profit, yet the ultimate consumer pays \$30.00 for the commodity. As a matter of fact, production science should be able to devise ways of making \$10.00 articles for \$5.00 through the use of efficient machinery. Distribution science should then be able to at least cut in half the heavy distribution cost of today. The increased use of machines for more efficient production would of course throw a great many men out of work for the moment but the greatly increased purchasing power would create new demands for necessities and luxuries that would put these men back to work again.

It seems to me that our criticisms, which are becoming quite numerous, about the so called Frankenstein monster of machinery, are largely unfounded. The real monster which should be criticised is the lazy and inefficient thinking that makes production and distribution costs the real burden on our economic system today. The little imps of supply and demand should cause us much more concern than this Frankenstein monster. Let us consider these facts and be frank with the Frankenstein giant known as the machine age.





Etching by Anton Schutz

THE HEAD OF WALL STREET IN 1931
The Irving Trust's New Headquarters Building at One Wall Street

1931



HERE never was a time in the history of the United States when so many people were interested in a forthcoming year. There never was a time when people were thinking more fundamentally than in January, 1931. In the breadth and depth of this thought lies the destiny of America. To be sure, most people would like to know when prosperity will return. They want to know what the economic barometer says. Such an interest has not been overlooked in banquet speeches, editorials, surveys and pronunciamentos.

The forest ranger must construct a trail from the floor of the canyon to the top of the big divide. It is quite likely that he can make a preliminary reconnaissance in a very few hours. Brush blazers begin to clear an area a hundred feet wide, zigzagging to the top of the range. The bed of the trail will be constructed somewhere within the limits of the hundred feet. The best that can be done in anticipating 1931 is to find the broader outlines of economic changes and progress. A trail must be built to the top. There will be many obstacles to overcome. It does the business man a great deal of good to take a broad look at his mountain.

In January, 1931, certain economic forces seem to be building new and modified methods of doing business, developing a re-organization of industry, and bringing about a change in the direction of trade and in the division of gain. It may be hazardous, yet interesting, to try to detect the outlines of a few of the changes in the business structure:

About the middle of the nineteenth century, under the industrial leadership of Britain, the business world received an impetus in a broader attitude toward foreign trade. Notwithstanding the greater length of time between two points, there was an effort to break down international barriers. One might expect that the radio and aeroplane, representing the advance guard in air domination, would bring nations closer together. Today, particularly in Europe, a few hours, even a few minutes, put the traveler across a national boundary, and voices from the nations

BY DR. STEPHEN I. MILLER

Executive Manager, N. A. C. M.

tie the entire world together in a new year's greeting. The student sees in these contacts changes in thinking, in economics, in religion and in government.

Limited Visibility

Undoubtedly, there has not been as yet sufficient time to understand our new neighbors. Possibly their very nearness has been the cause of fear and reaction. At any rate, the world seems to be developing a series of well defined nationalities. Tariff rates have been increased rather than lowered; restriction on population movement has taken place; nation after nation is trying to become as "self-sufficient" as possible, and taxation in some countries has discouraged the use of foreign products. Just now one is inclined to say that national economy is quite definitely supplanting international economy. In this move there are some evidences of the mercantilism of the 16th century. Some fundamental principles in economics are now being overlooked. Science is drawing in the boundary lines of the earth. We are not yet acquainted with our neighbors. In terms of aeronautics, our ceiling is low and our visibility limited.

A change in the basic principle of our economic system is another important phase of the new business picture. The modern system of economics had its origin in the 18th century. It was based upon the principle of individualism; upon the doctrine of *laissez-faire*. It depended upon competition for energizing individual action and for economic changes. From the beginning, and especially during the latter half of the 19th century the new system was subjected to attack. Opponents prophesied that human nature could not be depended upon to act with either enlightenment or with justice; that the competitive system would lead to exploita-

tion and elimination; that mergers and combinations would follow; that government control would be necessitated; that this control would lead to government ownership; in short, that competition would destroy itself.

In January, 1931, the business man might well think of Russia, experimenting with socialism on a nationwide scale; of Italy and many other countries of Europe, where, politically and industrially, state control has made marked increase; even in the United States, where commission control has been greatly extended, and where farm relief is the order of the day. It is little wonder that the business man of 1931 looks gravely into the future. Present day changes in the world's economic structure are revolutionary. The outcome of the struggle between collectivism and individual industrial democracy will depend upon educating the business man to avoid the waste, mortality and chaos of unintelligent competition. After all is said and done, any economic system will be just as good as the level of intelligence and vision of the people who make up the system. "There is no darkness like ignorance."

Trade Group Consciousness

In the third place there is, in many countries, particularly in the United States, a decided movement toward trade group or occupational consciousness. Undoubtedly this is the result of unbridled competition within the respective fields of economic endeavor. An organization, association or institute has become the educational and moral force in building up better trade practices. The trade group is rapidly taking on greater vision. It is not a movement just "within the law." It has for its purpose such a credit control as will eliminate waste and bad debt losses; an extension of business rehabilitation within its field of interest, and the accumulation of such data as will permit more intelligent methods of doing business.

In the fourth place there are many conditions now existing that exercise a control over one or more of the factors
(Continued on page 38)

What Credit and Financial Executives See Ahead for 1931

In order to poll the opinions of a mature and thoughtful group of credit executives, and to obtain the actual experience of a representative group of important firms, the National Association of Credit Men asked members of its Economic Credit Council to fill out a detailed questionnaire just before the first of the year.

This survey, touching 409 firms, well distributed both geographically and by industries and including some of the country's largest, constitutes an interesting performance record of an important section of American business under the stress of a depression year.

The survey bore out two theories that have been held quite generally for several months in well informed circles: that sales volume the country over and in nearly all industries declined radically during 1930, and that collections held up proportionately much better than sales.

It made clear another point concerning which there had been less unanimity of opinion: that the great majority of conservative business houses look confidently for improvement during 1931, and are planning courageously to win back the sales volume lost during 1930. The proportion of replies indicating a hopeful outlook for the new year was more than two to one.

Those participating in the survey were asked first to indicate the per cent of increase or decrease in the dollar volume of their sales for the first eleven months of 1930, as compared with the first eleven months of 1929. Only three per cent reported an increase. Six per cent reported sales equal to 1929, and 91 per cent a smaller volume. One-fourth of all the replies received indicated a decrease in sales volume of more than 25 per cent.

The collection story was much brighter, indicating that at least this particular group of credit executives did a noteworthy job of credit administration during the year. Twenty-four per cent said that their collections were actually better during 1930 than during 1929. Twenty-nine per cent reported no change, and forty-seven per cent reported collections slower and losses greater. Thus a majority—53 per cent—reported collections as good

"I see as favorable factors the prospective expansion of public works, facilitated by low interest rates, and a natural rebound in the prices of raw materials that are now selling below the cost of production."

The same correspondent lists among the unfavorable factors: "Politicking" in Congress, the fact that foreign trade recovery must follow rather than precede ours, and the exhausted reserves of wage earners." This correspondent expressed the interesting theory that the increase in savings bank deposits represents idle funds of corporations, rather than small savings.

"Recovery waits upon readjustment of supply and demand, correction of prices in regard to the quality of products, more aggressive and better planned sales policies and more careful credit supervision."

"Two unfavorable factors are impaired purchasing power and heavy stocks at production points. More and more I am coming to believe that artificial means of stimulating business, such as the Buy Now movement, are detrimental in the long run."

"If all our business men would use a little common sense all the time, sell goods for a reasonable price and collect their money, attend to their own affairs and stop spending money foolishly, there would be no depression. A year ago they played the stock market. The whole fool bunch thought they were Wallingfords and could get rich quick. Instead of being satisfied with a gradual increase, they wanted the whole thing at once. Then they got scared and jumped overboard like a bunch of rats. No wonder business has been depressed. They closed up shop, quit buy-

or better than during 1929—the most remarkable feature of the survey.

It must be borne in mind that the Economic Credit Council includes a number of the aces of the credit profession, and that the firms covered in this survey are probably more advantageously situated and more efficiently managed than the average. Still, the collection figures are remarkable.

A number of those reporting an improvement in collections stated that a more conservative credit policy had been pursued since the depression. Another comment frequently made was that "collections are holding up, but require more effort."

Regarding the outlook for 1931, 67 per cent anticipated improvement, 25 per cent were planning for a volume equal to that of 1930, and only 8 per cent expected worse conditions. Many of those anticipating improved condi-

ing, laid off their help, pulled in their necks—and here we are!"

"Our business is good, thank you. We have no complaint, and this is not propaganda. We have worked a full force this year, with no wage reductions."

"Optimism will gradually return as we begin comparing figures for 1931 with those for 1930, and not with the years of abundance. Whereas we were disgusted during 1930 with the reductions, month by month, from 1929 figures, we will be encouraged, during 1931, with a slight improvement over 1930."

"Low inventories and low price levels make us feel that there will be some stimulation of demand, which should operate to check unemployment. Present low money rates should aid the upturn."

"Present conditions—call them 'depressed' if you want to—are demanding a new standard of efficiency on the part of industry. In order to survive, it is necessary for every business to watch costs more closely and attempt to evolve better methods. This is the one favorable factor I see for the future—that new standard of efficiency which must be developed if a business is to survive."

"One of the impediments to recovery is the large amount of indebtedness carried by individuals, due, we believe, to a wrong use of individual credit. The workingman has been allowed to borrow and been encouraged to buy on credit when steadily employed, and his credit is curtailed when he is unemployed. We believe the reverse would be a more sensible use of credit."

tions added the comment "after April 1," or "after the first six months."

In addition to the questionnaire, members of the Council were asked to list the factors, both favorable and unfavorable, which in their opinion would most strongly affect the course of business during 1931.

Favorable factors most frequently mentioned were, in the order named: low inventories in the hands of dealers, long delayed buying to fill accumulated consumer needs, low interest rates, the prospect of extensive public works and private building, especially residential building, and the belief that commodity prices have about touched bottom.

The chief unfavorable factors mentioned were: unemployment, low prices of farm products and other raw materials, bad conditions abroad, instability of prices, bank and commercial failures and "depression psychology."

Bond Yield Index

A study made by the National Bureau of Economic Research on the basis of high-grade American railroad bonds.

WITH a very considerable range in the time of lag and with a number of actual exceptions as to even the order, certain financial factors tend to turn before a turn in general business. First, a peak is reached in call money rates, then a peak in time money rates and commercial paper rates, then a peak in the yield of high-grade bonds, then a peak in the yield of second-grade bonds, then a low in stock prices.

When this sequence has been completed, business recovery, as measured by bank clearings, pig iron production, etc., is generally not many months away. Sometimes business recovery begins before the above sequence is completed. At present the action of second-grade bonds and common stocks in making new lows is the uncertain element in the situation. On the other hand, if business recovery were to be delayed very many months, the lag after the peak in call money, time money, commercial paper and high-grade bond yields would be unusually long.

Rising prices for high-grade railroad bonds have in the past generally forecast business recovery some months in advance. The length of time since the price of high-grade railroad bonds reached bottom (September 1929) is already greater than the average lag before the beginning of business recovery. As an aid to the understanding of an important factor in the business problem, the National Bureau of Economic Research presents the accompanying index of the yields of high-grade railroad

Indicates Business Recovery

bonds. Fluctuations in the yield of high-grade American railroad bonds monthly from January 1857 to December 1930 are shown in the index constructed under the supervision of Dr. Fred R. Macaulay of the staff of the National Bureau of Economic Research. A rise in bond prices generally means a fall in bond yields though this is not necessarily true. If the bonds are all selling at a discount, they can advance in price without declining in yield. Changes in yield are somewhat more significant and less ambiguous than changes in price.

The Significance of the Index

The index is part of a comprehensive investigation by Dr. Macaulay of the relations between the movements of interest rates, bond yields, stock prices and general business since January 1857. In view of public interest at the present moment, the Bureau has decided to release the bond yield figures before publication in the general study.

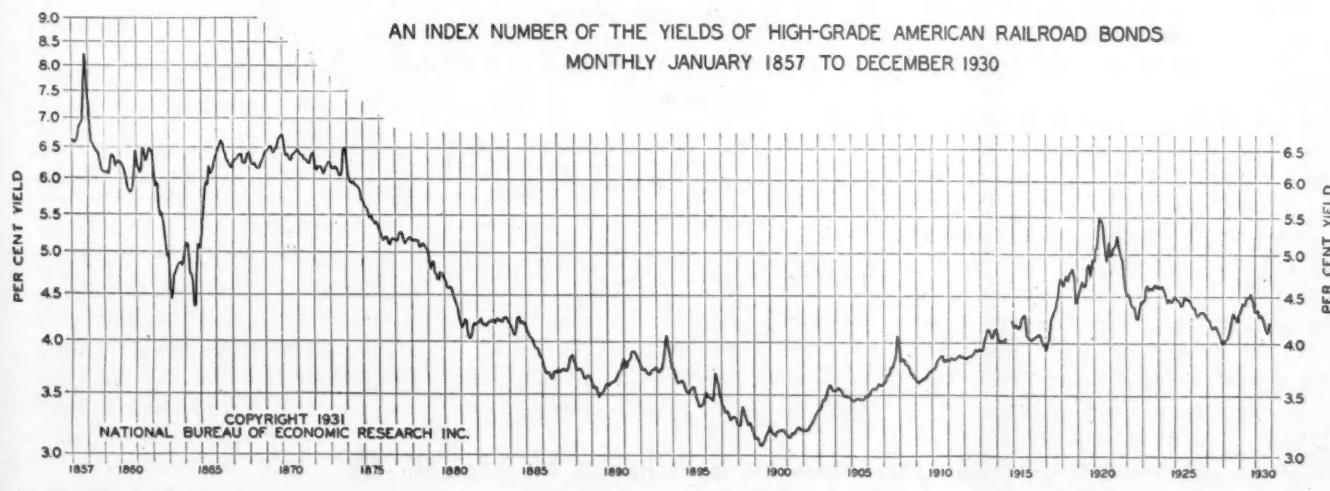
In the index number here presented an attempt has been made to present a picture of the yields of bonds of a high and unchanging grade. The index is a chain arithmetic average of actual yields with an adjustment for the drift resulting from improvement or decline

in the grade of the bonds with the passage of time.

From January 1862 to January 1879 the United States was not on a gold basis. This fact must be remembered when examining the bond yields shown on the chart and in the table for that period. The yields shown are "green-back" or "dollar" yields. The extremely low "dollar" yields in 1863 and 1864 are the result of the high "dollar" prices of the bonds. It was, of course, not possible to know *at the time of purchase* what the gold yield of a bond would turn out to be. That was possible only after the bond had matured or specie payment had been resumed. While the "dollar" yields in 1863 and 1864 were extremely low, the "gold" yields (eventually realized) were extraordinarily high.

Deductions from the chart or table for the period January 1862 to about 1874 or 1875 are dangerous unless the condition of the currency be carefully considered. After 1875 the "green-back" factor is not so important to consider in connection with the yields of the index, though, until January 1, 1879, it had an influence. The actual resumption of specie payments was much more important than the fact that for some years before resumption, the premium on gold was relatively small. Until January 1, 1879, specu-

(Continued on page 38)



JANUARY, 1931

**"Develop enlightened selfishness —
Promote researching of research —
Eliminate traditional thinking" —**

Says EDWARD A. FILENE in discussing

EDWARD A. FILENE is one of the world's most advanced thinkers. But his thinking is not problematical and visionary—it is along practical lines and through utilitarian channels. Most of the world's great thinkers have been a century ahead of their times. Business men, however, are not interested in what is going to happen and what the economic system will be a hundred years from now. What will it be this year? In five years? In ten years? Probably there is no man in the country who can answer these questions as intelligently, practically and thoroughly as Mr. Filene.

He is often called "The Merchant Prince of Boston" but after talking with him for almost two hours I know that he prefers to be considered a practical-thinking shopkeeper and business man. The complex forces of production, distribution and consumption have been the chief concern of his inquiring mind for half a century. The great institution of which he is president has not only been a money-making business enterprise—it has been a research laboratory for trying, testing and proving economic laws and principles. It is this combination of the practical, business mind and the scientific research type of mind that has made Edward A. Filene one of our most advanced thinkers.

The scope, vigor and soundness of his ideas are absolutely amazing. In addition to answering my questions in a period of less than two hours he actually discussed such a wide range of subjects as education, traffic systems, personal credit, advertising, philosophy, sociology and government. He also told me several personal anecdotes and drew conclusions from them that reminded me of the philosophic simplicity of Lincoln. Occasionally one meets a man who likes to think for the sheer joy of thinking. Filene is such a man.

I was deeply interested when Mr. Filene told me that many of his very good ideas come to him when he is bathing. Alongside the tub he has a pad and pencil so

Mistakes Business Has Made and Evils Business Must Correct

TEN QUESTIONS

that Mr. Filene answers in this article
—questions of the greatest interest
and significance to business men.

1. **WHAT'S AHEAD FOR 1931?**
2. **At what economic point would all unemployment cease and all depression end?**
3. **How is unemployment to be cured?**
4. **How can buying power be distributed?**
5. **Are mass production methods responsible for unemployment?**
6. **What is meant by "shopping for the abolition of unemployment" and how can it be done?**
7. **What's wrong with our distribution system and what's needed to make distribution economically sound?**
8. **Why is variety one of the great evils of our distribution system?**
9. **What is the Filene Model Stock Plan for increasing profits?**
10. **What is wrong with the proportions of the consumer's dollars?**

that he may record important ideas that come to him when he is taking his bath. During our discussion of unemployment, he took a note book from his pocket and read off four points covering un-

employment remedies. These characteristics of the great merchant are revelatory of the painstaking care he gives to all of his work. I am convinced that it is not the big things a man does that make him great but that it is the little things that make big men great. Mr.

■ **An interview by Chester H. McCall** ■

Filene certainly fulfills all the requirements of this fundamental idea.

Two of the country's leading university presidents are former assistants of Mr. Filene's—Glenn Frank of the University of Wisconsin and Ernest M. Hopkins of Dartmouth. Many of the new ideas he brought forward ten years ago were laughed at at the time, and the very ones who laughed are now saying "Filene was right." So when he talks of next year, and five and ten years hence there is every reason why heed should be given to what he has to say.

Answered Every Question

For the January issue of *CREDIT MONTHLY* I had planned a symposium covering six or eight of the country's business leaders, and had intended to ask each man one question that was particularly close to his line of work. When I went to Boston to see Mr. Filene, I carried these questions with me. After the interview was under way, I began to ask the questions I had written on the card in my pocket. Before the interview was completed, Mr. Filene had answered every question and given me reprints of some of his speeches and articles throwing a clarifying light on the questions I had asked. So instead of a symposium, this article will present Mr. Filene's answers to the questions I had intended to ask a number of different men. Each of the questions pertains to some significant trend of modern business that every thinking business man is asking himself today.

As business enters the second year of the 1930-40 decade everyone is relating the potentialities of the coming ten years with the progressive decade from 1920 to 1930. 1930, as the first year of the new decade, has been one of depression and discouragement to many businesses and industries. It is quite true that just as the basis for the depression is laid in the preceding period of prosperity, so is the basis for prosperity laid in a preceding period of depression. Has 1930 been a year in which business has been paying for the mistakes made during our prosperity? The question I asked Mr. Filene on this subject was the simple straight-forward, "What's ahead for 1931?"

Mr. Filene smiled as he answered, "The shortest questions sometimes take the longest answers. Treatises and prognostications containing many thousands of words are being written and published all over the country at the present time, but these detailed discussions of all the complicated actions and

counter-actions that may affect business would consume too much of our time. Therefore, I will limit my answer to this question to a few fundamental facts that seem to indicate as nearly as possible, the prospects for 1931 and the next few years.

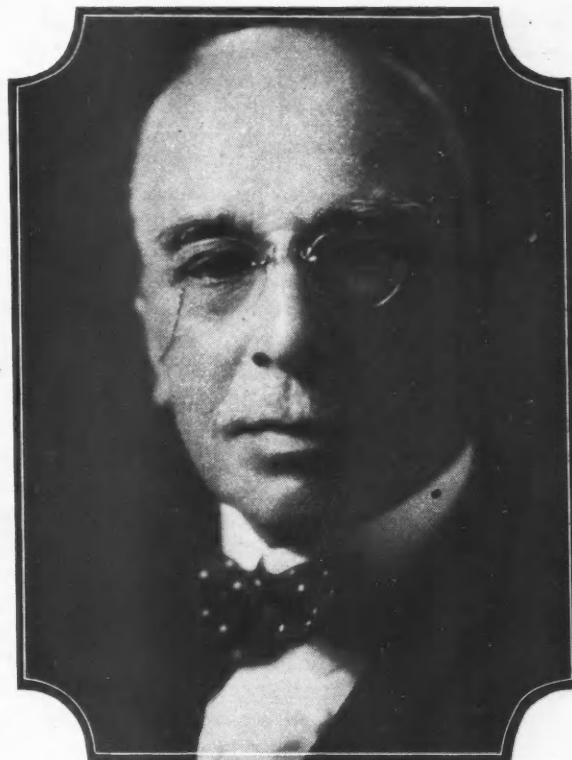
"It is next to impossible to tell exactly what is going to happen to business because the economic forces that affect us are so far-reaching and intricate that no individual can hope to foretell exactly what is going to take place. In looking ahead, the important thing to do is 'think according to the facts', so any interpretation that I can make will be an attempt at an objective appraisal of what's basically wrong with the present situation and what must be done to correct inherent evils and weaknesses of business. If these corrections are not made, we can not hope for any appreciable amount of progress greater than we are having at present.

Prosperity Must Be Made

"I feel that the next few months will not bring a great or startling improvement in business but reasonable gains are to be expected in certain lines. Prosperity does not happen. It must be made. Prosperity depends fundamentally on the buying-power of the masses and little is being definitely done to restore that buying power with special rapidity. I firmly believe that the long run general direction of the line of our prosperity is upward and will continue upward, but the immediate direction is downward and will probably continue so for the next half year.

"Several reasons lead me to reach this conclusion. Depression has largely come not from our buying too much but because we are no longer buying enough to keep all of us employed. Buying power can be restored by decreasing prices of the necessities and the reasonable luxuries of the masses so that comparatively they will be as low in prices and as good values as Chevrolet or Ford or Woolworth's goods.

"Do you realize that if it were possible to sell all necessities for five or ten cents that there would not be half



Edward A. Filene, president of William Filene's Sons Company is also the founder of the Credit Union National Extension Bureau and the Twentieth Century Fund

enough workmen in the United States to fill the demand? This is not possible of course, but somewhere between five and ten cents and the price that is now being asked is a price for each article at which all could buy freely and all unemployment cease and the depression end.

"The major causes of the depression are that there is so much waste in production and distribution that ensuing too-high prices have destructively decreased the buying power of the masses, which is after all the work-giving power on which the prosperity of our country depends. At present, only approximately 25 per cent. of our production and an even smaller percentage of our distribution is organized under the principles and methods of scientific waste saving mass production and mass distribution. The result is that, being unable to compete successfully, this wasteful production tends constantly to decrease the buying power of the masses, by either charging prices that are disproportionately high as compared to wages, or paying wages and salaries too small to keep up the buying power. Under such conditions as these, such depressions as the one we are now going through must come at intervals. These recurring depressions will cease and prosperity be stabilized, only as quickly as an effective forward step is made in

increasing and maintaining the buying power of the masses.

"We must look afield for other causes. One of these is the demoralization of European, South American and Oriental markets, which, due to disturbed business and social conditions on these continents, and the high tariffs between the nations, are unable to export their products, and are therefore unable to import anything but the minimum practical quantities of absolutely necessary things. This, of course, affects the exports and imports of the United States, which are important factors in maintaining our business balance.

"Without going into any detail, such facts as the unbalanced holding of gold of the different nations, the aftermath of wild speculation on an unprecedented scale, and the too great a share of the consumer's dollar that large rents are taking, have a deleterious effect on sound business conditions.

"It is evident that any attempt to predict how soon reasonable prosperity will return must depend on how nearly we can judge the probability of dealing with these various causes effectively."

Why Unemployment?

It is almost a corollary that when employment returns, business prosperity will return, so an appraisal of the employment situation ranks as one of the most interpretative factors that will forecast a return and maintenance of business stability. To get Mr. Filene's views on employment, I asked this question: "How is unemployment to be cured?"

"We must look to production and distribution for the answers to our employment problems", Mr. Filene replied. "Now unemployment is really as preventable as yellow-fever and small-pox. Unemployment is not due to Republicans or Democrats, nor to the tariff—bad as I think the tariff is in many respects; nor to the Sherman Law, much as I believe that law should be revised. Neither is it caused by mysterious, uncontrollable factors known as 'business cycles' which can be scared away only by magic incantations or by some 'fe-fi-fo-fum' of optimism. Unemployment is due only to bad thinking, particularly on the part of business men.

"Why does business slow down and lay off workers? There can be only one answer. It is because business is not selling as much as it planned to sell. But why is business not selling? The answer to this question is too obvious. It is because people are not buy-

ing so much. This is either because they don't want to or because they can't. We can dismiss the first reason because in this enlightened day we are very unlikely to find any important production of commodities that people do not want to buy. We are left, then, with the fact that people do not buy because they can't,—because they lack the necessary buying power. Buying power comes from salaries and wages, which in turn come from employment. We start with the premise of unemployment and reach the conclusion of unemployment. Unemployment according to this analysis is caused by unemployment. It seems like a quite complex definition, doesn't it? It appears as a vicious circle. Nevertheless, straight thinking can bring us out of this situation.

"The cause of the situation is this: Production and distribution of goods is very important, but until we distribute buying power successfully, prosperity is not going to return with any permanence. If the masses are able to buy all we are able to produce and distribute, the highest peak of prosperity attainable is reached. If the masses are not able to buy, the rich might buy everything they wanted and still there would be very little business done. Fortunately we do not have to theorize about what can be done about this situation. We know.

"There are two ways in which buying power can be distributed. One is by making prices as low as they can be made. This does not mean making prices low merely because competition compels it, but making them low, as Ford makes prices low, regardless of competition, so that more people will be able to buy more things.

Enlightened Selfishness

"The other way is through making wages as high as they can be made, not through generosity, however, *but through enlightened selfishness*. The employer who pays high wages pays himself in two distinct ways. In the first place high wages make better organization and better management necessary and they cause an employer to seek better methods and to eliminate more waste if he is to get the greater total profits which he very properly wants. If every employer in the country followed a formula of this kind, a very high buying power would be created and business would be highly progressive. It is to be borne in mind, however, that high wages which are not

based on higher production are of little final benefit to anybody.

"Some critics have been proclaiming that mass production methods are responsible for unemployment. These methods, they say, accomplish more with fewer workers than the old methods would, and therefore, they argue, they must put a lot of people out of work. These people take it, I presume, that we might all be employed if we didn't know how to do anything in effective ways. As a matter of fact, there would be more unemployment than there is at the present time, and the standard of living would be many times lower. The solution of our problem does not lie in our going back to the inefficient way of doing things, but in going on to such an efficient distribution of buying power that we will be able to sell all of the things we want to sell and the public will be able to buy all the things it wants to buy.

Five and Ten Cent Goods

"Prices are too high. Somewhere between the present price of things and a hypothetical five and ten cent price, as previously brought out herein, there is a price which is low enough to stimulate buying to such an extent that production will be speeded up to where no willing worker will need to go without a job. Selling can be done profitably at such a price, but only through intelligent and concerted never-ending effort, and along fact-finding lines that will eliminate the present waste of production and the even greater wastes of distribution. If we are to conquer our present unemployment, we must initiate an effective 'sell now' campaign. Every producer, as well as every distributor, should experiment in making or selling at least one generally used thing at a price so low that consumers can buy freely under present conditions. In addition, such experimenting will show the means of making that low price profitable just as Ford and Chevrolet have made the extraordinarily low prices on their cars profitable.

"And as consumers we can perhaps be of even greater help. We can shop for the abolition of unemployment, and we will be shopping for the abolition of unemployment if we insist at all times upon getting the best possible values for our money. If we pay more than we need to pay for anything, we must buy less than we could otherwise buy, and will be giving, therefore, less employment than we would otherwise give. If, on the other hand, we insist upon getting the best possible values, we

shall find ourselves patronizing those industries and those businesses that are doing the best job and thereby increasing the buying power of the masses and hastening the end of unemployment."

While most thinkers on the subject have a fairly clear insight into what is wrong with our production system there seems to be a noticeable lack of understanding as to just what our distribution system needs. It is admittedly a fact that production is ahead of distribution, inefficient as production still is in many of its phases. Records indicate that Mr. Filene is one of the first men in the country to have promulgated principles of scientific distribution. His appraisal of our distributive system was given in answer to my question, "What's wrong with our distribution system and what is needed to make distribution economically sound?"

"Distribution and production necessarily dovetail and interlock at many points", Mr. Filene responded. "In answering your question I will not go into details of merchandising because that would require an article in itself, but I will approach the subject from the broader business viewpoint. In our present economic system we have machines for production which we call factories, and machines for distribution which we call stores. The attitude of production is that if things are not going ahead, then production must be going back. Our outstanding efficient producers are continually on the lookout for better methods and greater improvements. The producer realizes that if he does not apply scientific knowledge to get better and better results that some bright competitor will apply it, automatically eliminating him from the race.

"The same attitude should apply to distribution, but the main difference between the two processes is that leaders of production are generally awake and not only understand but act upon scientific principles, while distributors are still very much asleep and do not realize that they are living in an age of science in which scientific principles must be applied.

"Distribution is the all-inclusive and all-important problem for everybody. Distribution in fact really takes precedence over production, for who cares whether the factories are open or shut excepting that their being closed makes distribution impossible! While it seems apparent that production and distribution are two processes, in reality they are not. They are simply different aspects of the same process—the process

which we call industry. It is like the process of breathing. You will never see a man who is able to breathe *in* all right but can't breathe *out*, nor one who can breathe *out* as usual but can't breathe *in*. The trouble with such a man in either case is that he can't breathe. Much the same situation obtains when we have a distribution system that can't breathe *out* what the production system breathes *in*. We do not have a system of distribution commensurate with our system of production, and the goods which can be so economically produced are so clumsily and so wastefully distributed, that the cost of the whole process of production plus distribution too often becomes prohibitive. So far as the would be consumer is concerned, the goods may as well have eaten themselves up in transit.

"When we buy Fords or Chevrolets, we are getting pretty close to the cost of production, but suppose it cost \$400 to make one of these cars and \$1,000 to distribute it and that the cars would then have to sell at retail for \$2,000? There wouldn't be many purchases of

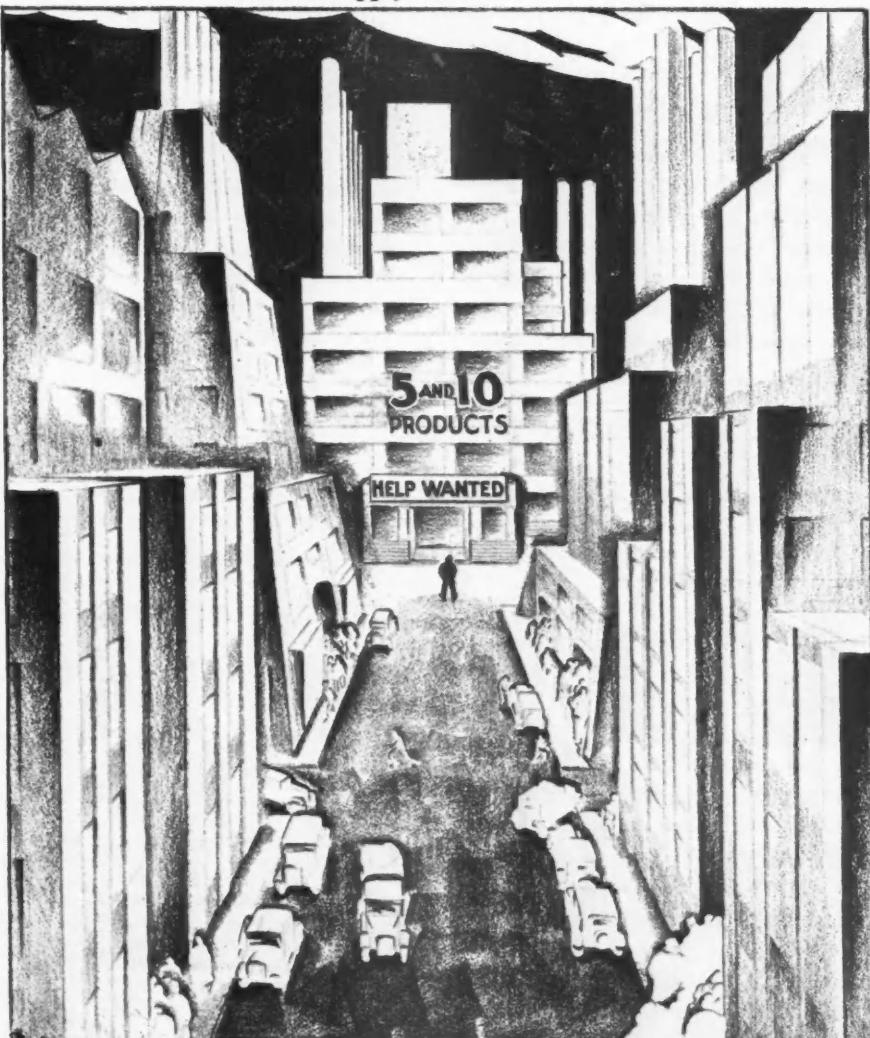
Fords and Chevrolets. And yet do we realize, I wonder, when we go into the average retail store that we are likely to be engaging in a transaction equivalent to paying \$2,000 for Fords? The retailer isn't getting rich at our expense—more likely he is going broke. The trouble is that he is part of a very unscientific system of distribution and this distribution not only costs two, three or four times as much as it costs to produce the article in question, but through making mass production impossible because the ensuing too high prices will greatly reduce sales, it is likely to double or treble the cost of production itself.

"Without being too technical, I might point out two things that are wrong with our production-distribution system, because these two processes closely dovetail at this point. We have (1) too much traditional thinking and (2) too much variety in our stocks.

"Let us take the first—traditional thinking. Do you know why men have buttons on their coat sleeves? Are they there for looks, duty or utility?

(Continued on page 38)

"If all products sold for five and ten cents there wouldn't be enough workmen to supply the demand."



Current Survey of Credit Conditions

■ W. S. Swingle, Director of the Foreign Department and the Foreign Credit Interchange Bureau of the National Association of Credit Men, in this article gives his current statistical interpretation of Latin-American credit conditions and collections. You may refer to the February, April, July and October Credit Monthlys for previous surveys.

AT the close of the year, the survey of Credit Conditions and Collections in twenty-one Latin American markets indicates considerable improvement in a number of countries. The general decline which has been shown in the two previous surveys has not been continued, and collections particularly begin to show improvement. The changes in the index figures have been more marked in

This chart shows graphically collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country during each survey.

the current survey than at previous times.

As was the case in the last survey, improvement in credit conditions is noted in countries which are still classified as Poor or Very Poor. On the other hand, collections have shown an improvement in over one-half of the countries covered.

At the close of the fourth quarter of 1930, the Foreign Department of the National Association of Credit Men completed the ninth Quarterly Survey of Credit and Collection Conditions in Latin America. This survey, together with the graphical charts covers conditions in December, 1930, and carries forward the summaries published in the February, April, July and October issues of CREDIT MONTHLY.

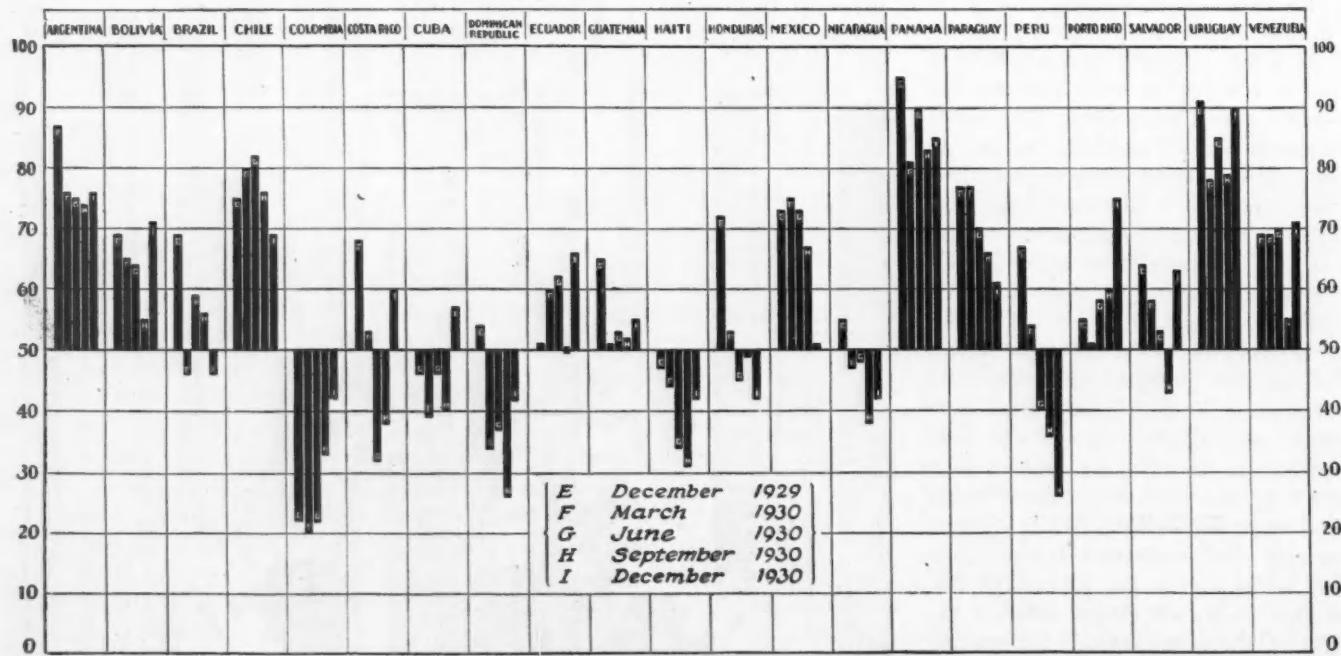
The ninth Quarterly Survey has been added to the charts and the four previous surveys running back to December, 1929, are shown for comparative purposes. The results of the surveys are based on the experiences and opinions of members of the Foreign Credit Interchange Bureau of the National Association of Credit Men, whose membership comprises several hundred leading American exporters.

The survey of credit conditions is based on the opinions and experiences of exporters who are doing business

with the various countries covered, and has to do with the credit background of commercial transactions rather than the political situation. In the reports of collections, causes for delayed payment have not been taken into consideration, nor do the terms granted affect the report, which deals with the promptness with which payments are received on and after due date.

In ten of the countries improvement has been shown in the credit index, and there seems to be an upturn indicated even though conditions continue generally depressed. No countries in the present survey are classified as Good in regard to credit conditions, and only two countries, namely, Uruguay and Panama, are even Fairly Good. Mexico has taken a considerable drop in the index, as well as Chile. Although such countries as Colombia, Haiti and Dominican Republic are still classified as Very Poor, nevertheless conditions there have not become worse, but on the contrary have passed the low point.

The exchange situation has had a decided bearing on collections, particularly in such countries as Brazil, Peru and Mexico. Despite this, in considering the countries in Latin America as a whole a marked improvement has been shown, and in the report on col-



and Collections in Latin-America

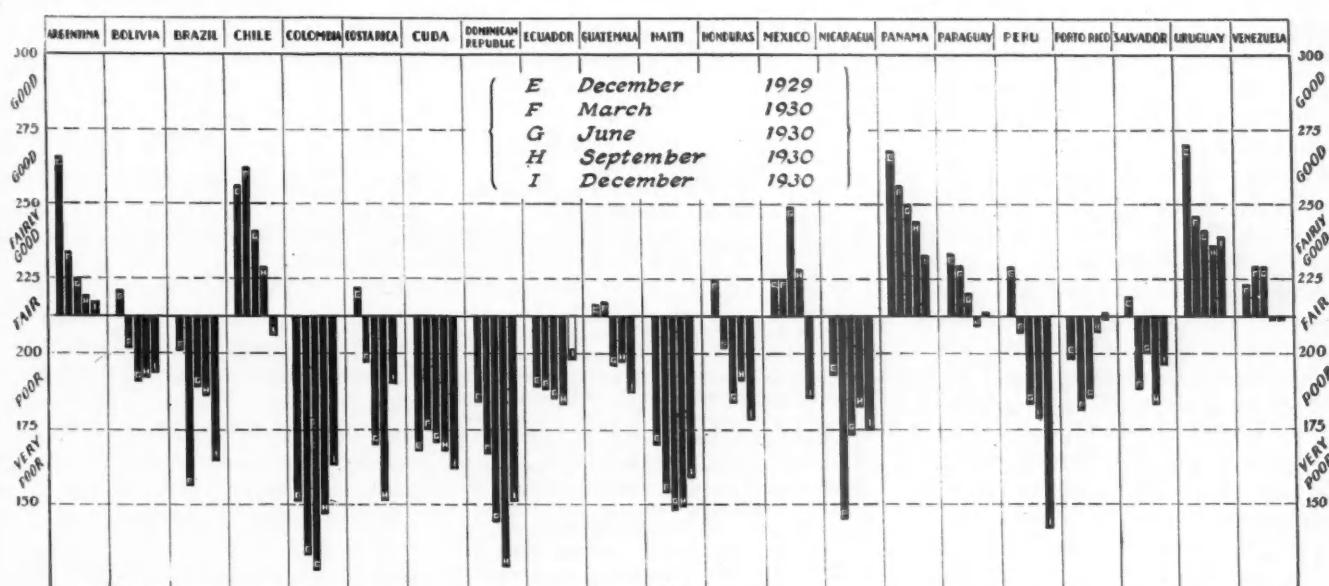
lections the general decline of the previous survey has changed, with only six of the countries showing a decline, and despite depressed conditions in collections, fourteen of the countries have remained Prompt or Fairly Prompt, as compared to Slow in the last survey. This is an indication that credits are being more carefully watched and buyers are staying more within the requirements and that payments are gradually being made for liquidation of accounts in an increasing number of cases.

tain markets, the credit executive during the coming year should not be generally faced with serious difficulties.

In this survey, the reports on collections are based on additional sub-divisions, which are Prompt, Fairly Prompt, Slow or Very Slow, in place of the previous reports of Prompt and Slow. For the benefit of those who may not have a record of the previous basis on which these surveys are made, it may be explained that the Survey of Credit Conditions is based on the re-

centage of 75 per cent. fair—25 per cent. poor.

The chart below gives credit conditions in twenty-one Latin-American countries, based on data compiled in five surveys described in this article. This chart is scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.



Within the past three months, political conditions have not had a serious effect on the credit situation as there have been no unusual disturbances, with the exception of Brazil. There, the coffee situation and the resultant lack of dollar exchange has affected conditions more than the change of administration. Mexico is faced with the problem of depreciated silver exchange. Some steps have been made to control this, but the exchange situation remains bad and it probably will be some time before improvement can be expected.

With low commodity prices and a lack of exterior finances, it is quite likely that conditions in Latin America will show only a gradual improvement, and restricted sales may be obtained. However, with a better appreciation of credit conditions and a knowledge of the difficulties of collections in cer-

tain markets, the credit executive during the coming year should not be generally faced with serious difficulties.

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The mean of the "fair" position has been taken as the base for graphical purposes to get an easier comparison. In the chart on Collection Conditions, in working out the index figure, on the basis of those reporting either "prompt" or "fairly prompt" at the time of the survey, the mean of 50 per cent. has been taken for graphical work.

This survey seems to indicate that the bottom of the depression curve has been reached, in many countries, and that we may look forward to a better stabilization of conditions and more prompt collections as arrangements are made at the time of purchase to take care of payments, despite the depressed conditions which may exist at various points.

"This Month's Collection Letter"

THE unrestricted use of "model collection letters" in their entirety seems dangerous and rather "bad business." How can anyone expect one of Smith's letters to fit his own personality or how can he expect the policy of Smith's Company to be identical with the policies of his own? How can anyone expect his letters to be colorful or "pack a punch" if they are completely borrowed property?

Then too, there is always the danger that the debtor may receive similar letters either from the same person on different occasions, or from two different credit men at the same time. One debtor says that he has received some six of these letters that inclose a piece of string which the debtor is supposed to tie on his finger as a reminder to send a check.

The debtor cannot be expected to pay any attention to such "prescription" collection letters. It is well to bear in mind always that collection letter writing is not an exact science and furthermore, that the collection letter writer cannot copy his way to success.

The student can gain much, however, in the reading of Smith's letters if he is in search of new ideas. When he finds a really clever approach or a convincing argument, he can improve upon it, fit it to his Company's policies, and dress it up with the words his own personality dictates. The result is a splendid new collection letter ready for a test trial.

A careful study of published collection letters reveals that it is difficult to find a letter that suits one in every detail. One letter may have an excep-

Opening Paragraphs

1. Your accounting department must have overlooked our account and our various requests for payments. The account is _____ past due.
2. This letter is written concerning your (Month) account which is now considerably past due.
3. Do you realize that it has been nearly four months since we shipped you the merchandise, for which payment has not been made?
4. Your attention is respectfully called to our July 1st Invoice, for which payment has not been received.

A plan for working out your own "This Month's Collection Letter" is presented by Mr. F. H. Isaacson, Art Metal Construction Company, Jamestown, N. Y. You will find this idea novel and unusual as well as of practical, concrete value.

tionally interesting opening paragraph and turn flat when the writer tries to

The Body of the Letter

(Each one of these should be split into two paragraphs to make easier reading.)

1. Frankly, your neglect of our account is rather puzzling. When your order was received, credit was passed promptly. It seemed as if I were justified in authorizing shipment of the goods. But when you absolutely ignore my letters, what conclusion can I come to?
2. Three letters have been written you about the account and not a word in reply. Despite evidence to the contrary, we still confidently believe it is your earnest desire to take care of this obligation. But you are making it hard—mighty hard—for us to keep in that frame of mind. Immediate payment of the account will pay you as well as us.
3. It is unpleasant to think for one moment that you are trying to evade payment. However, that is the conclusion we shall have to come to if you send our letters to the file without reply. Any delay in making payment or replying is bound to make a bad impression—and you know how lasting bad impressions are.
4. Your company is highly regarded by our whole organization and we greatly value the orders which you have intrusted to us. However, as business men and executives, you cannot expect us to be satisfied with the condition of your account. An unpaid account will breed friction quicker than any other cause we know. And we certainly do not wish any friction between your firm and ours.
5. You must realize, surely, that with a large volume of business, prompt payment is absolutely essential and a guarantee to good service. We trust you will not further withhold payment from us.

present a real argument. The next letter may have a strong appeal only to finish off with a weak apologetic ending. Almost every letter appears to be lame in at least one respect; so it becomes necessary to pick out only the best part of each letter.

Consider for a moment that the collection letter has three divisions:

- A. The opening paragraph which states the business in hand.
- B. The body of the letter, consisting of at least two paragraphs, which carries the argument for payment.
- C. The ending paragraph which should draw immediate action.

I suggest that instead of trying to find the perfect letter, we collect a group of good opening paragraphs, a selection of excellent letter bodies with real arguments and several snappy endings.

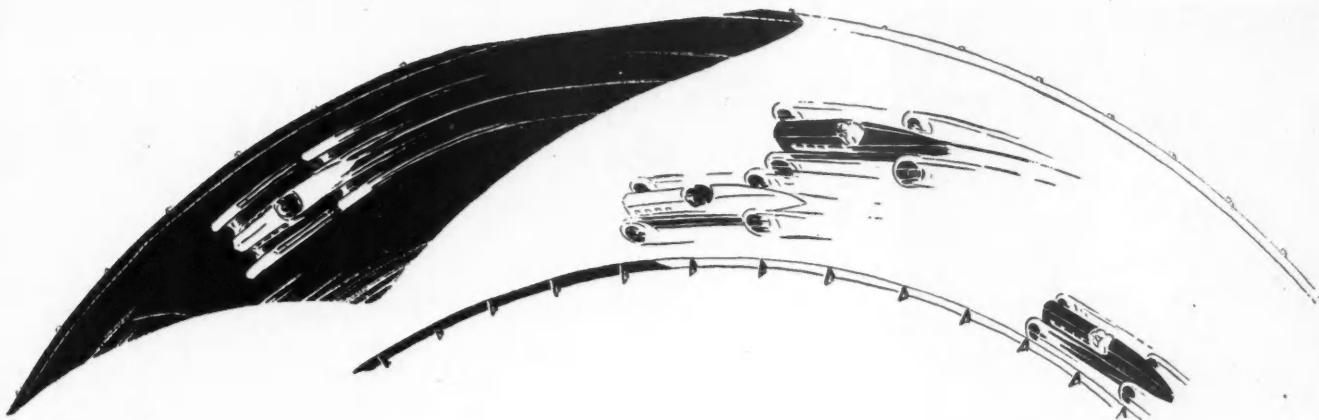
A scrap book built on this basis becomes in a short time a most valuable asset to the collection correspondent. It is a boon and an inspiration when he comes to the office on one of those "Blue Mondays" and finds it hard to write interesting letters which will "draw fire" from the debtor. On this page are shown several pages from just such a scrap book.

Will you please select your choice of the best from the above, one from each department? Please take the prize winning opening paragraph, body and ending and put them together in their proper order. Does that combination make an effective collection letter?

May we suggest that you now take the "meat" of this letter and rewrite it using your own salt, pepper and spice. Thanks! You now have the "Collection letter of the month."

The Ending with a Pulling Power

1. Don't postpone a definite reply.
2. Please pass this letter to your cashier with the notation "send check today."
3. We must have a definite reply by (Date).
4. Self-addressed stamped envelope is enclosed for your convenience in sending check in next mail.
5. Please send check today so as to avoid any further misunderstanding.



Speed Up Sales!

**But let credit-checking be a four-wheel
brake on sales expansion.**

C. E. PELLISSIER

**describes a novel sales contest staged
by Hewes & Potter, Boston, in which
credit analysis played as important a
part as sales expansion.**

THE credit department and the sales department can find much to their mutual advantage in closer cooperation. This is especially true in the planning and execution of the various sales contests that play such an important role in the merchandising programs of to-day.

Hewes & Potter, Inc. of Boston, Mass., manufacturers of the famous Spur tie, have proved the truth of this assertion by practical experience. A special sales contest was staged by their sales manager, in co-operation with the credit manager, that demonstrated to them conclusively that this policy saved them thousands of dollars and brought in business that was a real asset to the company.

Each year this company had staged a special contest for new accounts. It was a most productive type of contest and annually brought many new firms to their books. It had been and was still producing worth while results. These contests, however, had one unfavorable aspect. Many of these new accounts proved to be poor credit risks. The question arose as to how this bad feature could be eliminated effectively.

A consultation between the heads of the company, the sales manager and the

credit manager resulted. The credit manager pointed out that the last contest of this sort had produced 2000 new accounts, half of which he would not O. K. or that later proved themselves decidedly bad risks.

In a contest of this sort the chief aim of the sales force is to boost their totals. They just cut loose and opened everything they had the slightest suspicion would pass by the credit manager. Regardless of how much the sales manager cautioned them on this point they still persistently brought in everything. As a result much of their time was wasted as well as that of the company. It really doesn't take many poor accounts to counteract many of the good ones.

It was decided to introduce a new feature in the annual new account contests in the future. This new contest directed the salesmen's efforts entirely to the better rated accounts. No account was to be accepted below a second-grade credit and even the first grade credits were scaled down so that the points were awarded according to the standing of the store in that class.

The initial step was to provide each salesman with a copy of the new Dun rating book covering the territory in which he operated. In this way he

would know before making a call the exact rating of the prospect. The rules were as follows:

1. A new account is one who has either never purchased from us or one who has not purchased since January 1st the previous year.
2. It must be O.K.'ed for credit for consideration.
3. The order must total at least \$15.
4. Contest points are to be counted on date of receipt of orders at the Boston office.
5. Fill out report slip and pin it to each order from new accounts. Fill every space to get credit. (This slip reported credit ratings, etc.)
6. Accounts will be graded for prizes as follows:

Credit Rating

Class A.	200 points.
Class B.	100 points.
Class C.	50 points.
Class D.	25 points.
Class E.	10 points.
Class F.	5 points.

New stores with no rating will be graded as Class E. accounts and points will be given if references or statement permit shipment.

The Salesman's Wife

Prizes. (half of each prize to the salesmen's wife.):

1. A bonus of five cents a point on all classes of new accounts.
2. Cash prize to man totaling highest number of points, \$50.
3. Cash prize to man totaling second highest number of points, \$25.
4. Cash prize to man totaling third highest number of points, \$10.
5. Cash prize to man totaling largest volume sold to new accounts, \$25.

No bonus less than \$10 will be paid.

(Continued on page 40)



Mr. Wichelman, who is Assistant Secretary and General Credit Manager of his company, is thirty years old and has been engaged in credit administration since 1916, or for half of his life

EARLY in my experience I learned that Efficiency merely meant obtaining a maximum of result with a minimum of effort. This principle has become the yardstick by which we measure not only our routine steps, but also any special activity which may present itself to us.

We have never discarded the old for the new unless, in actual trial, the new proved itself worthy of replacing the old method. We have also found that while we can assist those who work with us to avoid some pitfalls, experience is the greatest teacher and that most people must learn for themselves by actually doing things.

Making Others Think

The writer was fortunate in obtaining his early experience under credit managers whose methods were such that he was compelled to go to them with a definite recommendation and not for their decision. I insist on this same procedure today. The people who are working with me carefully analyze whatever problems they have and bring to me a definite plan of action. If they are wrong, we go over the matter carefully and I have found that many times their minds and thoughts become clarified by the discussion of the problem and they are able to pick out the flaws in their original reasoning simply through the process of talking out loud.

I can appreciate the attitude of the credit man who believes his principal function is to determine matters of



How We

★ The third in the series of Gold Star Credit Department Articles describes the policies and administration of the Credit Department of the A. C. Horn Company, Long Island City, New York, manufacturers of waterproofings, paints, varnishes, enamels and weatherstrips.

F. A. WICHELMAN

head of the department gives a concise and interesting write-up of its make-up and operation.

policy and approve credit limits of certain amounts, etc., but I feel that I want to be in a position at all times to discuss intelligently practically any account on our books. For that reason I take a very active part not only in our credit problems, but in our collection problems and in the work of building up sales. We feel that the credit department, and the work of the credit department, is of vital interest to our sales organization because of the fact that we are a national organization, with branches and subsidiaries located at different points throughout the country.

It is not possible to meet the entire sales force every week or every month, therefore, we convey our messages through the medium of the President's weekly letter, which in our company is called "Dear Family."

Smooth-Running Routine

We have developed, naturally, a routine method of handling most of our operations. My assistants are well trained in this routine. It is possible for me to leave my desk at practically any time, to go anywhere, and to stay out as long as necessary. I cannot help but feel that moss will grow on the credit man who is chained to his desk.

We have found that one of the most valuable methods we have is that of personally contacting with our distributors periodically. I know, personally, 95 per cent. of our distributors here in the East and a good majority of those East of the Mississippi as well as some of those further west.

Naturally, the first problem that confronts any credit manager is the cost of operation and one of these problems is the handling of the files containing credit information. The usual method is the manila folder alphabetically, or geographically filed. The matter of space is a factor in the adoption of any system, the matter of quick accessibility to the information and the matter of knowing at a glance what is in the folder also are problems that we feel we have somewhat solved by the design of a new type of credit envelope.

Our Credit Envelope is filed in the

usual file cabinet, widthwise. They average 165 to the row and six rows to the cabinet. We file them alphabetically by customer's name. On the outside of the envelope is printed a form which shows exactly what the envelope contains. Space is provided for the credit ratings for a five year period which gives figures for an immediate comparison. It also shows whether we have a financial statement or a guarantee, the amount of the initial order and when it was paid, how long we are selling them, who the customer is buying from, when the information was last revised, and what the credit limit of the account is. This all appears on the front of the envelope and the information is tabulated by a clerk in the department.

Our collection correspondence is kept in the usual type of folder, excepting that this folder is also specially printed.

Forms

We have developed for use by our sales organization a report form on any new customer or prospect. We have found that our salesmen can, many times, save their time by sending to us this form which they make out in duplicate form. The form is padded and carries five or six sheets of carbon paper with it. It is sent to us in duplicate with any order for a new account. The information is checked up in the usual way and the carbon copy is returned to the salesman with a limit of credit assigned by the department. Our sales-

Do It!



men are using this form for news prospects also. Their time is not wasted by endeavors to sell those to whom we could not extend credit.

We also provide our sales force with a number of financial statements, the form of which we have reduced to a very simple statement. Most of the time this financial statement form is sent to the salesman when we are unable to check his prospect in the ordinary way. Our sales representatives have had splendid success in obtaining these statements for us. The reverse side is designed to give a quick analysis of the principal comparisons. Credit for the design on the reverse side must be given to J. L. Wood, General Credit Manager of the Johns Manville Company.

In order to eliminate the necessity of the department keeping duplicate copies of customers' statements or any other kind of ledgers, we use for our collection work the actual ledger sheet. Our accounts receivable are carried on the Burroughs Automatic Machine and we utilize the extra space or margins of this ledger sheet.

Every month one of our clerks goes through the accounts receivable ledger

In 1897 Mr. A. C. Horn started a small factory almost at the foot of Manhattan Island. That small factory, devoted to the manufacture of water-proofs has grown into a plant of twenty-six buildings located on the south side of the Queensborough Bridge in Long Island City, N. Y. Branches can be found in every important city of the United States and representative distributors are located all over the world, in China, Japan, the Argentine, etc.

The products of the company have now increased and include metal weatherstrips, graining plates for the reproduction of wood grains on metal and other items.

At the head of the business today are Mr. A. C. Horn, Chairman of the Board, Mr. R. E. Bishop, President of the Company, and Mr. A. E. Horn, Vice-President and Treasurer.

sheets and does two things. First, he checks up to see whether there are any accounts on which items have become past due, to whom we are not writing. If there are, he prepares folders which are placed in the follow-up file and he marks, in the ledger sheet, the date on which this folder will come up for attention. We do not merely pick up past due items, but anticipate by about fifteen days so that we actually follow up a past due item two days after it has become past due.

The second thing that he does is to check up on those accounts on which we are writing, to make sure that current follow up dates are shown and that nothing has been lost or mislaid.

All incoming checks are given to this department first and are then handed to our accounts receivable department. We never write a customer who has already mailed in a check because our letters are written the same day that the account is looked up. The proce-

The A. C. Horn Company's record of achievement. The dots in this photo of the Grand Central Zone of New York mark buildings on which Horn products have been used



A. C. HORN COMPANY CREDIT DEPARTMENT FINANCIAL STATEMENT ANALYSIS														
NAME	ADDRESS	CLASSIFICATION	YEAR	DUN	BRAD	CREDIT LIMIT								
			1/2 1 1 1/2 2 2 1/2 3 3 1/2 4 4 1/2 5 5 1/2 6	1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1								
QUICK ASSETS TO CURRENT LIABILITIES														
YEAR	1/2 1 1 1/2 2 2 1/2 3 3 1/2 4 4 1/2 5 5 1/2 6	1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1										
NET WORTH TO TOTAL DEPT														
YEAR	2 1 2 1/2 3 3 1/2 4 4 1/2 5 5 1/2 6 6 1/2 7 7 1/2	1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1										
ANNUAL SALES TO TOTAL RECEIVABLES														
YEAR	2 1 3 1 4 1 5 1 6 1 7 1 8 1 9 1 10 1 11 1 12 1 13 1	1 1	1 1	1 1										
ANNUAL SALES TO INVENTORY														
YEAR	2 1 3 1 4 1 5 1 6 1 7 1 8 1 9 1 10 1 11 1 12 1 13 1	1 1	1 1	1 1										

Reproduced above is the reverse side of the Horn Company's Financial Statement form. Only by analysis does the significance of the Financial Statement items become apparent.

ture is simple. Folders are filed alphabetically under the date on which they are due for attention. You naturally wonder how we are able to find these folders. We find them by referring first to the accounts receivable ledger sheet, which shows the date under which they are filed. When the folder comes up for attention both the folder and the ledger sheet are marked with the new date.

We send to all of our sales representatives each month a duplicate copy of the statements sent to their customers. These are sent to them together with a list which shows the total amount owing on the first of the month and the amount past due at that time. We do not believe in adding additional indebtedness when items are past due. Our salesmen know this and collect the past due indebtedness at the time of their calling. We have found the list of value to them as they usually carry it in their pocket and place the statement in an envelope which they leave in their car, using it only when they have something to check up with the customer.

Our sales and credit department work

hand in hand. If the salesman reports that a customer would prefer not to receive any collection letters and that he will collect the account, we let him do so, but we check him up and if he fails to carry out his threat of collecting the account personally, we notify him that it is necessary for us to again step into the picture, but we co-operate with that salesman to the fullest extent.

We believe that the credit department is in a position to build up business. When an account is paid in full and no business has been received for a definite period of time, this department, by virtue of the fact that it is constantly going over the accounts receivable ledger sheets, notifies the salesman by means of a simple form that brings to his attention that no business has been received from a customer and that we would like to see his name on the books actively. This procedure keeps a great number of our accounts alive.

Whenever it is necessary for us to write for a financial statement, we also give the customer some information about our own company and we have

found this method takes the edge off the request and the financial statement comes back much more rapidly.

When it is necessary to place an account with an attorney, we transfer the account to suspense and prepare a special card and these items are also periodically followed-up.

Our system of form letters calls for our sending to a salesman a notification that if the account is not collected within thirty days after he gets the letter it will be necessary to place the account with our attorney for collection. Of course, we have the usual routine methods, house agency, etc.

All of our district branch managers have letters of introduction to the Bradstreet and Dun offices in their cities. They also have a sheet showing the average limit of credit which would be extended on the Dun and Bradstreet ratings. This is to enable them to make prompt shipments to new accounts. Th limit, of course, is revised here after we have received their advices of shipment.

Credit envelope developed by Mr. Wichelman. It opens at top like bank-book envelope and its face carries Credit report.

ROBIN Hood COMPANY			NAME	
SANDUSKY Ohio			ADDRESS	
CREDIT DATA - A. C. HORN COMPANY				
THIS ENVELOPE CONTAINS THE FOLLOWING REPORTS				
R. G. DUN	BRAD	PAINT-ALLIED		
1/20/30	1/20/30	1/20/30		
MISCELLANEOUS				
PLC Ultra 1/20/30 But Jumbo 1/20/30 humble 1/20/30				
— RATINGS —				
DUN	1929	1930	1931	1932
BRAD	ED			
P & A	SD			
YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>				
HAVE WE FINANCIAL STATEMENT? <input checked="" type="checkbox"/>				
HAVE WE GUARANTEE? <input type="checkbox"/> <input checked="" type="checkbox"/>				
OUR EXPERIENCE				
INITIAL ORDER \$ 300.00 PAID				
APPROX. MONTHLY BUSINESS \$ PAID <small>(DISC. PROMPT BLOW)</small>				
HOW LONG ARE WE SELLING 12-20-30				
WHO IS CUSTOMER BUYING FROM				
1. Lucas 6. Neil Lead 2. Prather & Son 7. Baker Bros. 3. Massey 8. 4. Moore 9. 5. Standard 10.				
DATE OF LAST REVISION OF DATA 1/20/30				
OUR CREDIT LIMIT IS \$ 3500				

■ H. P. Preston announces his series of articles on

Executive Office Management

which point to increased profits
through greater efficiency ■

In our factories giant machines thunder speed! Railroad executives work continually to build faster freight schedules. Air transport grows apace. Every effort of a huge country is strained to save the minutes and seconds which mean money.

Taking a broad view and including all offices, it is safe to say that the American office needs a thorough house cleaning. It needs, first, a definite plan for the execution of its tasks in the speediest and most accurate manner. It needs, second, a far greater degree of mechanization than it, at present, possesses. Briefly, it needs modernization—to be brought into step with the tempo of today—looking ahead to tomorrow.

The first broad step towards an efficiently conducted office might be a revolution of our habits of thought. Instead of regarding the office as a semi-professional place where temperaments and tardiness and "human cussedness" in general are in control, we should regard it as essentially a factory for the production of a certain given quantity of routine work at the lowest possible cost consistent with efficiency.

As a second step, we must become more machine-minded as regards the office. We think of industrial production in terms of machines and units of output. We think of power in symbols of generators. Machines play a large part in our ideas of distribution. We have even grown accustomed to the idea of automatic retail vending in the near future. Yet we continue to think of our offices in terms of "Miss Black" or "Mr. Jones." We cling to systems and follow routines which, while meeting the needs of the past, are patently obsolete today. We retain a physical arrangement of space and facilities that, in many instances, actually retards our output of work.

When one compares the average office with its possibilities, one is almost disheartened at the disparity. We see old equipment, old filing systems, uncomfortable, inefficient desks, eye-straining lights, typewriters and other machines that lack present day improvements

for increasing output and lessening effort; bookkeeping and accounting departments that are almost reminiscent of Dickens' counting houses, with their armies of clerks.

Meanwhile, the army of clerical workers grows. Office overhead pyramids skyward. If the pyramid grows too big industry staggers under the dead weight. The illness of "diminishing net" may become acute. Today, more than ever before, business must concentrate on lowering office overhead and increasing office efficiency.

Planned mechanization is the major answer to the problem. The *correct* use of machines speeds up work, frees man power, cuts down the percentage of inaccuracies and their resultant waste. Valuable assistance in formulating such a plan can be had from the representatives of reputable office appliance and equipment manufacturers. These men are trained specialists with a broad view of office problems and will give concrete, practical advice to any business man—quite without regard to any sales angle.

In considering such a program, it is well to bear in mind the expense of used equipment. Many office managers and purchasing agents feel that they are saving their firms money through buying second-hand equipment. In reality, such equipment may be the most expensive. Second-hand machines sometimes necessitate frequent attention.

Efficient office management is, of course, deeper than the matter of equipment. There is, however, no more important phase of the matter than the development of our machine-mindedness towards the office. Mechanization must be our goal. The steps by which this can be reached, the plans necessary for carrying these steps into effect without too great an upheaval of present procedure, and other angles of efficient office practise, will be considered in the subsequent articles. The concrete experiences of outstanding firms will be used as a basis for showing the practical application of modern office principles; specific methods for caulking the little leaks through which too great a percentage of profit now dribbles.

The first article of this series will appear in the February issue

1. Planning and Arrangement

Partitioning and Layout

Types of Desks

Chairs for Efficiency

Filing Equipment that saves space

Counters—double duty

2. The Accounting Department

Adding Machines

Billing Machines

Bookkeeping Machines

Calculating Machines

Check Protectors

Record Systems

3. Records—Maintenance

Filing Cabinets

Filing Systems

Visible Indexes

Special Equipment

4. Records—Protection

Insulated Cabinets

Insulated Files

Insulated Safes
Vaults—Portable and Permanent

5. Correspondence

Addressing Machines

Dictating Machines

Duplicating Equipment

Envelope Sealers

Letter Openers

Permit Machines

Pre-Cancelled Stamp Machines

Stamp Affixers

Time Stamps

Typewriters

6. Minor Aids to Major Profits

Standard Equipment for Clerks

Standardized Pencils, Erasers, etc.

Portable Typewriters

Desk Racks

Letter Trays

Stapling Devices

Rubber Stamps and Racks

Increased
Profits



Falling
Profits



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What About the Leaseholders?

The profit, interest and bonuses of the leaseholders in the burning building are at stake unless they are covered by leasehold insurance, described fully in this article by C. T. HUBBARD, author of "Where Fire Insurance Leaves Off."

THERE are many forms of allied fire insurance *without* which a property owner *may* go into bankruptcy: Business interruption insurance, for example—explosion, sprinkler leakage, earthquake, demolition, and so on.

Leasehold insurance is *not* in that class but nevertheless, it is an allied fire insurance coverage with which the credit manager can be familiar to practical advantage. If for no other reason, just to understand a policy which few insurance agents or brokers can explain.

A lessee not carrying leasehold insurance, and suffering the cancellation of his lease, due to fire, might not be forced into bankruptcy—but his overhead would be suddenly and unexpectedly increased, perhaps considerably. His credit is safe-guarded if he carries leasehold insurance. In fact, all contractual obligations should be insured wherever possible if credit obligations are to be protected.

This is not intended as any advertisement for the insurance companies. In fact, many of the coverages necessary to insure contracts are difficult to buy. Leasehold insurance is in this class. You have never seen an insurance circular on leasehold insurance? It is not solicited and *written only very selectively*.

To get a practical insight into lease-

hold insurance, how it works, let's figure out a leasehold example. Leasehold insurance insures leasehold *interest*, leasehold *profit* and leasehold bonuses against loss by fire should the lease be cancelled by fire—or by earthquake, explosion or other catastrophes. As a credit manager you have a retailer in whose credit you are interested. He has leased space in a building at \$100. a month for five years and seven months. One-half of this space he has sub-leased for \$50. a month. In his lease there is a fire clause which gives the building owner right to cancel the lease in the event of a fire. So the retailer wants to insure his \$50. a month sub-leasing profit.

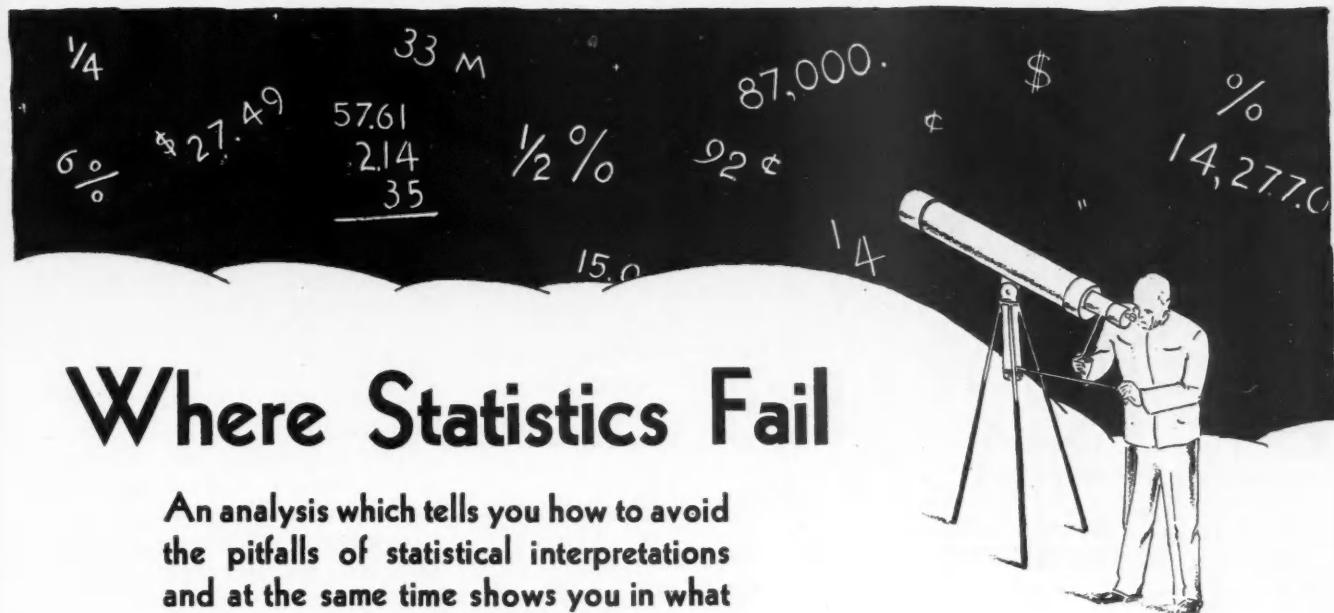
This \$50. a month is \$600. a year, or \$3,350. for five years and seven months. The lessee wants a policy for three years and six months. These broken terms are chosen in order to take the illustration out of the A. B. C. class.

First it is necessary to find out the *average amount of liability at risk for the term of three years and six months*. In arriving at the leasehold value on which the premium is charged, the rule is that you take the amount of leasehold profit, or leasehold interest, (whichever you are insuring), for the

first month of the policy and add it to the amount showing for the last month and divide by two. For instance, if we were insuring for the full term of the lease (five years and seven months) we would take \$3,350., the value during the first month, and add to it the \$50., which would be the value the last month, divide it by two and arrive at \$1,700. the average amount at risk during the five years and seven months. But, the lessee wants a policy for three years and six months, not for the full term of the lease. Secondly, leasehold values are not figured on their actual figures but according to tables found on the reverse side of each leasehold policy form which provides "discounted" amounts to use in writing up the policy, and also a set of figures to use in adjusting losses under a leasehold policy.

Therefore, the policy is figured in this way; the term of the lease is reduced to months, and therefore, we start with the term of the lease which is five years and seven months, or sixty-

(Continued on page 41)



Where Statistics Fail

An analysis which tells you how to avoid the pitfalls of statistical interpretations and at the same time shows you in what ways statistics may be used as practical executive and administrative tools.

BY L. H. WHITEHEAD

Economist, Investors Research Bureau, Inc.

THE events of the past eighteen months have given rise to a vast expenditure of time and effort in the analysis and interpretation of "statistics." Business "forecasting" actually has become a popular indoor sport! "Barometers," "indexes" and "forecasters" by the score have been devised. The belief in the minds of those who are so busily engaged in such pursuits is that ways and means may be found to chart the course of trade and commerce to the end that the unexpected will rarely happen and that the element of uncertainty may be practically eliminated from commercial and industrial activities. Obviously much work of this nature has been undertaken without any very clear idea of the magnitude or the complexity of the problems which must be solved. Very few persons are aware of what may be expected in the way of results. Others have no understanding of statistical methods. The fact that these persons fail in what they attempt to do lies partly in the shortcomings of statistics and partly in the lack of knowledge of statistical methods on the part of those who have undertaken to use them.

These lines are not written with the intention of casting aspersions on anyone's efforts or of belittling the honest attempts which are being made to develop dependable methods of forecasting everything from zinc prices and pork

production to stock prices. Rather, the writer takes this opportunity to express his conviction that statistical research holds the key to a more complete understanding of the factors which govern the prosperity of various lines of industry and the causal relationship existing between business and stock market movements. It is believed, however, that some time may properly be devoted to a consideration of the things which one may reasonably hope to accomplish with the aid of statistics. Without doubt many sincere students are chasing a will-o'-the-wisp, and, as a result of dependence upon the working out of some newly discovered "logical" sequence, are permitting themselves a sense of false security which eventually may prove mischievous and costly. The intention is not to depreciate the results which may be attained through studied methods of forecasting, but to point out that there are limits beyond which one cannot go.

During the dark days of 1920 and 1921 business men and bankers experienced a feeling of helplessness because they had suddenly become aware that comparatively little factual data useful in analyzing the state of business was available. Many European countries were known to have expended much effort in collecting statistical information but we had been backward in this respect. Consequently, a "statistics"

movement was initiated under the leadership of Secretary of Commerce Hoover. The Federal Reserve Board and the Federal Reserve Banks as well as trade and industrial associations also took up the task in an active way. Much progress was also made in developing principles of statistical analysis. Many banking houses built up large statistical departments where formerly they had employed only one or two "statisticians." Courses in "Statistics" were added to college curriculums. Much "missionary" work was done but it was not until the present depression was under way that the average business man began to think that he might learn to help himself by studying statistics.

Haphazard Analysis

The majority of persons do not have access to anything other than the most simple sources of statistical information, but one who sets out to find certain material ordinarily has little difficulty in obtaining it if it is available. In some cases desired data are unavailable. The daily newspapers published in the larger cities present a smattering of commercial and financial data. Various trade publications present much excellent material covering their own lines. Financial journals cover the whole field of industry quite thoroughly.

Various publications have adopted the practice of compiling tables showing the changes in long lists of business "indexes" and "indicators." One is before the writer at the moment. The table is headed "Statistical Trade Indicators," with two subdivisions: "Weekly Comparisons" and "Monthly Comparisons."



The statistical methods used to forecast business and stock movements are often as unscientific as crystal-gazing.

Data on seven lines appear under the former topic and twenty under the latter. No attempt is made to indicate the relative importance of these items or to convey an impression of their meaning. Nevertheless, large numbers of persons are studying such compilations with a great deal of care and are forming judgments on the basis of what they are able to glean from them. In the majority of instances statistical "analysis" of this nature probably is more harmful than helpful because it is bound to be haphazard and slipshod. Some of the indexes or series included in such compilations are "adjusted" for seasonal variation and secular trend, others are "adjusted" for seasonal variation only, and, in certain instances, no allowance is made for seasonal or secular growth influences. To most persons the terms "seasonal variation" and "secular trend" convey very indefinite meanings. Other individuals understand the reason why such influences must be taken into consideration in measuring cyclical movements. However, ordinarily no statement as to the method used in "correcting" such series is given. Consequently, the published data rarely can be used with complete confidence even by one who is experienced in analyzing such data.

Enough has been said to indicate that the average person is placed at a great disadvantage in the very beginning by reason of the fact that it requires effort and time to compile an appreciable amount of worthwhile data. Let us as-

sume for our purposes, however, that Mr. Average Man has at hand a full complement of data covering the whole range of commercial and financial activities.

It may appear to many persons that it should be a relatively simple and easy matter for him to state what the condition of business may be twelve months hence. At his finger tips there is a vast fund of statistical data on retail and wholesale prices, activity in basic industries, employment, money rates, bond yields, etc.

Surely with all of this information at hand it should not be difficult for one who has studied the subject a little to peer into the future and say how business on any given date will compare with the present. However, it is in fact very easy to show that such a "simple" forecast is a most difficult undertaking.

An illustration will serve to make this point clear. At any given time it is most difficult for one to answer the question, "How's business?" with any degree of definiteness. One may say, "Business is good" or "Business is poor," but it is often practically impossible to say whether business is better or worse than it was last month or even two months ago. If uncertainty enters into the determination of the state of existing conditions, surely it must be a more difficult and uncertain task to state what conditions may be at some future date. The difficulty here is concerned with the knowledge and experience of the forecaster. It is a question of the failure of the statistician rather than statistics.

The fact that some time necessarily elapses before statistical data covering a given period of time can be collected and placed in the hands of the forecaster, is one of the important reasons why it is often next to impossible for one to say just what the condition of business may be at any particular time. In other words, statistics always are more or less "cold" before they are obtainable. Moreover, the abundance of data in itself actually is a hindrance to forecasting. If only ten or a dozen statistical series were available the average person might be able to learn enough about them to enable him to use them to advantage. As it is, however,

so many series are available that very few persons are able to find their way about in the maze of items which confront them. They turn first one way and then another, and end up by accomplishing little of consequence.

It is apparent that the problem of business forecasting is indeed a complicated one. The difficulties presented are formidable but by no means unsurmountable. It is apparent, however, that the task is not one to be undertaken by an individual but by an organization. Many financial institutions have established large research and statistical departments which have had marked success in predicting future movements in business. Forecasting as undertaken by these organizations is a continuing process; that is, such estimates as are made concerning the probable date of a cyclical turning point in general business or the extent of a movement already in progress are revised as new data become available. Such forecasts are of decided assistance in laying out expansion and advertising programs, and in formulating investment policies.

Forecasting Security Price Trends

Business forecasting is not an easy task, but it is as child's play compared with stock market forecasting. A forecast of the trend of stock prices is an even more complex and involved undertaking than business forecasting because successful results are partly dependent upon a reasonably accurate judgment as to the business trend as an initial step. Everyone realizes that there is a relationship between business and stock market trends, but there is no general agreement as to even the approximate nature of that relationship. Many persons have asserted that stocks always lead business by at least six months. Others have stated that the interval of time is not as great as six months. Persons who have studied the subject find a basis for believing that such "rule-of-thumb" conclusions concerning the relationship between business and the stock market are valueless. Accordingly, they seek to find within the set of circumstances existing at any particular time a clue as to the extent to which the stock market may anticipate or "discount" the next probable major movement in business. In this case the difficulty is one of analytical technique. The great question has to do with statistical methods rather than with statistics. Even though business

forecasting is a matter of secondary interest to the student of the stock market, he must use just as much care in arriving at his conclusions as the one who is interested only in the business forecast as such. After the stock market student has answered to his own satisfaction the question: "What is the business outlook?" his next task is to determine how the anticipated movement in business will be reflected in the stock market.

This second query probably is more of a "teaser" than the average person supposes. Space prevents a full discussion of the matter here. It may be pointed out, however, that those who have made an exhaustive study of the discounting propensities of the stock market find that there is no hard-and-fast relationship between stock prices and composite indexes of business. Sometimes the stock market turns many months in advance of the turn in business and in other instances the lead is only two or three months. Moreover, there is a tendency for a somewhat different relationship at cyclical tops than at bottoms. Finally, there have been times when the stock market actually lagged behind business at a cyclical turning point. For instance, business turned up in 1921 before stocks hit their cyclical bottom, and in 1929 business turned down before stocks reversed their trend. Indeed, the manner in which the stock market behaved in 1927 and 1928 led many observers to conclude that business and the market had been divorced and that we were in a new era. This new dispensation knew no cycles—nothing but a continuous reign of prosperity.

After one has reached his conclusion as to the business outlook and decided how it will be reflected in the stock market, his task is still far from complete. As a matter of fact the results so far attained are of little practical value. The investor neither buys nor sells the "market." An investment program is necessarily concerned with individual securities rather than with the general market.

After a conclusion concerning the probable general market trend has been reached, it is next necessary to decide which groups of securities and individual issues will move to the greatest extent. This in itself is a most difficult undertaking, involving as it does a consideration of comparative earnings' trends, capital structure, prospective earnings, financial condition, banking sponsorship, management, and many other factors. Weeks may be spent in

investigating and studying the position of an industry. A complete analysis often necessitates a laborious field investigation. After the analyst has familiarized himself with the major problems and new developments of the industry in question he must turn to the individual companies themselves.

Detailed investigations and analytical studies of individual securities entail a vast amount of work because conditions change so rapidly. Companies which made great progress during previous years may slip back and it is practically a certainty that such a development will be reflected in stock prices. Witness the large decline in International Telephone and Telegraph securities from their 1929 and 1930 highs. Patents and research developments may give one company an advantage over its competitors. Which corporate organizations are destined to reflect in maximum degree the favorable things in store for the industry as a whole? Are there matters of location as to raw material sources, marketing and transportation facilities, which place certain companies at a disadvantage? Do other companies have a competitive advantage because of the affiliations of their managerial and sponsoring interests? It is not a simple task to answer these questions. However, there are still more things to be done. When one has completed an analysis of an industrial group, his task is only nicely begun because he must continually revise his conclusions in the light of new developments, keeping an up-to-date opinion, and meanwhile the influence of general market conditions must continually be kept in mind.

Sooner or later in one's analysis of individual securities he finds it essential to make balance sheet comparisons. It is not necessary to tell readers of *CREDIT MONTHLY* that there are many pitfalls in the field of statement analysis. In the first place there are balance sheets—and balance sheets. Some are complete and detailed, others are summarized to the point of meaninglessness. In certain instances depreciation items and charge-offs are handled in one manner and in other cases in another fashion. Sometimes there is nothing to indicate that provision has been made

for these items. Some companies are reluctant to release sales figures. In many cases comparative statements covering previous years are not available. Some statements are certified, but there is a vast difference in these certificates. All "certified" statements may not be accepted with equal confidence.

Assume for a moment, however, that one has assembled a full complement of reasonably complete and comparable statements. It is next necessary to decide what one may derive from them. In some lines of industry statement analysis is more helpful than in others.

Why Do Stocks Move?

As yet nothing has been said concerning the real practical motivating forces behind movements in security prices—supply and demand. It is a commonplace that stocks move up because of a preponderance of buying orders and down because of an excess of selling orders. However, at times some persons speak as though they believed that securities move on statistical facts rather than on buying and selling. Investment programs are mapped out on the basis of developments anticipated for the future. Statistics are merely records of past events. Consequently, statistics are of value to the investor only insofar as he uses them as a guide in determining what may occur in the future to inspire campaigns of broad scale accumulation or distribution of particular securities. This matter of buying and selling—the balance of the forces of

(Continued on page 43)



Some of the statistical material published in newspapers and magazines is about as truthful as the ballyhoo of a circus barker.

Broadsides into the Fraud Sides of American Business

© Ewing Galloway

COMMERCIAL fraud is one of the greatest menaces to American business. Its dangers are cumulative, that is, every successful perpetration of commercial fraud eases and clears the way for other successful perpetrations. Commercial fraud has reached its present degree of success through systemization and organization. *And it is only through constructive systemization and organization that commercial fraud can be successfully combatted.*

For the past five years the Credit Protection Department of the National Association of Credit Men has been a significant force in the fight against commercial fraud. The Credit Protection Department has been redesignated as the Fraud Prevention Department, which more adequately describes the fundamentals and purposes of this great non-profit making agency for investigating and prosecuting commercial crime. This work has been endorsed by the President of the United States, ranking members of his Cabinet and outstanding business leaders of the country. The Fraud Prevention Department in the new sense is a service department organized "In Defense of the Nation's Receivables." The scope of the investigating and prosecuting duties of the department are quite well known to business men throughout the country. It is not generally understood, however, that the Fraud Prevention Department has been placed on a permanent subscription service basis and is no longer predicated upon the raising of campaign funds to carry on this work.

The Fraud Prevention Department is now being financed on an entirely different basis than was the Credit Protection Department. A subscription ser-

vice fee is charged to subscribing firms on a basis of volume of sales and the risks involved in particular lines of business. A sales promotion department has been created under the direction and supervision of Mr. H. E. Chasmer. This department is comprised of trained representatives who sell Fraud Prevention contracts to business firms of the country on the aforementioned basis.

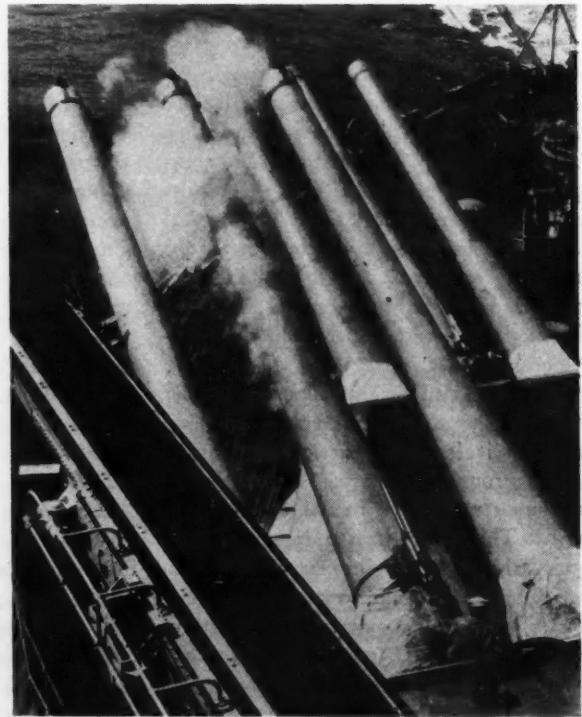
Any company subscribing to Fraud Prevention service takes out, in effect, "Fraud Insurance." A subscription places a business house under the protection of the efficiently organized investigation and prosecution personnel of the department. In reality, a company by subscribing to Fraud Prevention, puts on its payroll the entire staff of the Fraud Prevention Department.

For an individual firm to prosecute fraud is virtually prohibitive in most cases. Lawyers' fees, accountants' fees and the cost of investigators run up a bill of an imposing amount. Because of the volume of work done as a result of a nationwide set-up and the efficient operating methods of the department, Fraud Prevention Department operating costs are low compared to what they would be individually or in a less ramified set-up. The extraordinarily high average of convictions is a testimony to the expertness of the department.

This placing of the Fraud Prevention Department on a permanent service basis is one of the most far reaching and important steps yet taken for the protection of business against the depredations and fraudulencies of commercial crime.

The Fraud Prevention Department of the National Association of Credit Men is firing salvo after salvo into the ranks of commercial criminals—broadsides into the fraud sides that are preying upon our business organizations. It is up to American business to keep these guns supplied with ammunition by purchasing the services which amount to "fraud insurance" of the Fraud Prevention Department.

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Credit Monthly's Annual

Analysis of U. S. Bankruptcy Statistics

ON this page appears a summary of the Statistics of Bankruptcy for the United States for the fiscal year ended June 30, 1930, recently made available through the Annual Report of the Attorney General of the United States. (Copies of the complete report may be obtained from the U. S. Government Printing Office, Washington, D. C.).

On the two following pages is presented an analysis of the Bankruptcy statistics for each of the Judicial Districts of the United States, computed by CREDIT MONTHLY from the Attorney General's Report.

The item, Attorneys' Fees, listed in the fifth and sixth columns of the analysis on the next two pages is included in the item "Total Administrative Fees and Expenses" which constitutes the third and fourth columns of the analysis. The figures on this and the following pages include those for Alaska, Porto Rico and Hawaii. These annotations are made to facilitate comprehension of the analysis.

A comparison of this analysis with the analysis of the bankruptcy figures of the previous fiscal year made in CREDIT MONTHLY in January, 1930, brings out several interesting points. Although creditors lost \$49,147,966.25 more through bankruptcies last year than during the previous fiscal year, they got back more on each dollar of their claims, according to the analysis of the Attorney General's report prepared by CREDIT MONTHLY.

Creditors received 8.63 cents on the dollar in bankruptcy cases concluded during the fiscal year ending June 30, 1930, while during the previous fiscal year they received only 7.51 cents on the dollar. They lost more, in the aggregate, because there were more bankruptcies. The total bad debt loss through bankruptcy for the fiscal year period was \$866,430,267.57, compared to \$817,282,301.32 during the previous year. Figures for the calendar year 1930 are not yet available.

A striking fact brought out by the analysis was that court costs, attorney's fees and other expenses of administration were sharply reduced, leaving more of the bankrupt's dollar for creditors.

Last year expenses of administering bankrupt estates took 20.91 per cent. of the amount realized, while during the previous year these expenses ate up 22.42 per cent. of the amount realized, and in 1928, 23.76 per cent. Attorney's fees last year took 7.21 per cent. of the proceeds of bankrupt estates, while in the previous year attorneys received 7.89 per cent.

General creditors eventually received 7.47 per cent. of the amount due them

from bankrupts, as against 5.53 per cent. in the previous year. The loss of this class of creditors, however, amounted to \$628,340,323.42, an increase of \$17,535,511.84 over that of the preceding year.

Priority, secured and lien creditors, on the other hand, fared worse than during the previous fiscal year. They received 11.56 cents on the dollar of their claims, as against 12.89 during the previous year.

SUMMARY FOR THE UNITED STATES		Voluntary	Involuntary	Total
A. Cases pending, concluded, etc.:				
1. Pending at close of previous year	42,688	16,425	59,113	
2. Filed during year	57,299	5,546	62,845	
3. Concluded during year, including petitions dismissed and compositions confirmed	54,819	5,729	60,548	
4. Pending close of year	45,168	16,242	61,410	
5. Petitions dismissed	1,224	567	1,791	
6. Compositions confirmed	267	428	695	
Nature of business of bankrupt in cases concluded (including petitions dismissed and compositions confirmed):				
7. Farmer	4,450	13	4,472	
8. Wage earner	28,979	88	29,067	
9. Merchant	9,684	3,890	13,580	
10. Manufacturer	737	649	1,386	
11. Professional	1,319	59	1,378	
12. Other classes	9,641	1,024	10,665	
13. Total	54,819	5,729	60,548	
B. Liabilities:				
1. Represented by priority, secured, and lien claims	\$195,791,473.54	\$73,408,112.93	\$269,199,586.47	
2. Represented by unsecured claims which have been proved and allowed	164,080,937.15	189,195,194.06	353,276,131.21	
3. Represented by unsecured claims, as shown by schedules, which have not been proved	273,881,490.17	51,900,525.05	325,782,014.22	
4. Total	633,753,899.86	314,503,832.04	948,257,731.90	
C. Amounts realized:				
1. Total amount realized or received by marshals, receivers, trustees, and referees	42,898,742.40	75,673,667.46	118,572,409.86	
2. Total amount disbursed in conduct of business	2,295,119.13	10,031,803.52	12,326,922.65	
3. Net amount realized	40,603,623.27	65,641,863.94	106,245,487.21	
D. Distribution of net assets as shown above (C 3):				
1. Fees and expenses of administration, as analyzed below	9,170,149.92	13,049,994.07	22,220,143.99	
2. Paid to bankrupt on account of or in lieu of exemptions	493,400.59	253,910.22	747,316.81	
3. Paid to priority, secured, and lien creditors	15,303,963.01	15,805,779.31	31,109,642.32	
4. Paid to general creditors	15,233,788.41	35,484,033.60	50,717,822.01	
5. Other payments	272,772.66	846,601.36	1,118,274.02	
6. Undistributed balance, if any	129,642.68	201,645.38	331,288.06	
7. Total	40,603,623.27	65,641,863.94	106,245,487.21	
E. Analysis of fees and expenses of administration (Item D 1):				
1. Paid to referee on account of fees of every nature, excluding filing fees paid by clerk of court	384,834.63	578,810.27	963,644.90	
(a) Commissions and 25-cent fees for filing claims	58,045.63	63,868.28	91,913.91	
(b) Fees as special masters, if any	41,417.03	25,771.71	67,188.74	
(c) Other fees, if any				
2. Paid to referee on account of expenses	206,461.98	36,453.38	242,915.36	
(a) For printing and advertising	30,361.41	8,775.54	39,136.95	
(b) For traveling expenses	735,869.43	390,375.57	1,126,245.00	
(c) For office, clerical, and all other expenses				
3. Paid to marshals, receivers, and trustees on account of commissions, excluding filing fee of \$5	1,198,695.67	1,780,378.29	2,970,073.96	
4. Paid to attorneys on account of fees	2,727,787.37	4,935,921.58	7,663,708.95	
5. All other expenses of administration	3,816,676.77	5,229,659.45	9,046,316.22	
6. Total	9,170,149.92	13,049,994.07	22,220,143.99	
F. Other data pertaining to property administered:				
1. Appraised value of exemptions set off to bankrupt in kind	17,317,765.78	1,500,295.28	18,818,061.06	
2. Appraised value of property securing debts of bankrupt which was not administered in bankruptcy court	19,610,434.89	6,577,575.23	26,188,010.12	
3. Filing fees paid by clerk of court to referee	729,076.37	73,231.00	802,307.37	
G. No-asset cases included in this report:				
1. Number of cases	37,516	600	38,116	
2. Total fees and expenses of referees (see E.) in such no-asset cases	\$535,459.49	\$27,531.69	\$562,991.18	
H. Number of cases concluded, which were filed in forma pauperis, and in which filing fees were not afterwards paid	4,703	2	4,705	

Analysis, by the Credit Monthly, of the United States Bankruptcy Court

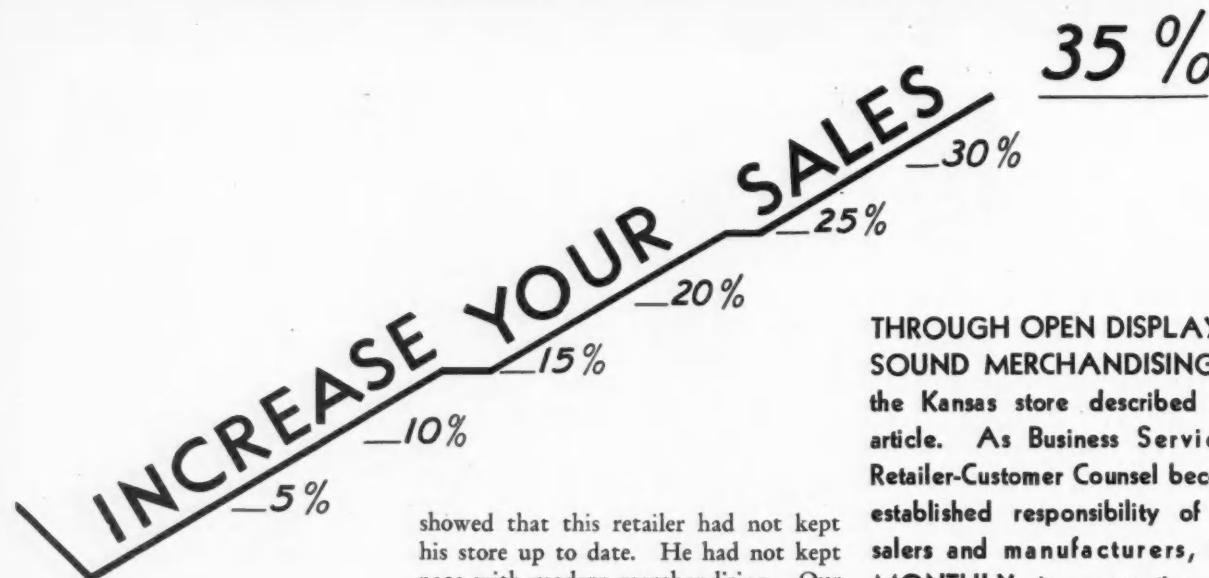
State	District	Cases Concluded	Net Amount Realized	TOTAL ADMIN. FEES AND EXPENSES		ATTORNEYS' FEES		PAID IN ADVANCE Percentage of Proceeds
				Amount	Per cent. of Amt. Realized	Amount	Per cent. of Amt. Realized	
Alabama	Northern	2,614	\$2,035,800.98	\$178,448.54	8.77	\$47,279.44	2.32	\$1,477,362.80 72.55
	Middle	419	147,404.45	29,563.10	20.06	10,627.65	7.21	31,160.99 21.14
	Southern	197	404,460.89	56,538.96	13.79	22,768.55	5.69	210,094.35 51.94
Alaska	All Div.	15						
Arizona		58	112,915.65	37,591.06	33.29	13,048.93	11.56	22,861.66 20.25
Arkansas	Eastern	324	627,164.42	104,388.39	16.64	31,859.01	5.08	131,812.70 21.02
	Western	137	145,568.44	23,831.67	16.37	5,590.40	3.84	27,590.48 18.95
California	Northern	1,512	1,357,623.15	411,933.01	30.34	194,076.43	14.30	314,221.50 23.14
	Southern	2,138	9,183,257.05	1,233,908.24	13.44	367,632.63	4.00	2,162,444.19 23.55
Colorado		433	316,498.68	72,439.52	22.89	12,954.03	4.09	126,969.75 40.12
Connecticut		727	1,031,586.76	259,571.48	25.16	76,561.88	7.42	278,675.18 27.01
Delaware		36	159,524.20	13,229.11	8.29	3,025.00	1.90	81,999.20 51.40
District of Columbia		187	192,810.15	39,452.88	20.46	9,635.09	5.00	39,909.21 20.70
Florida	Northern	35	40,977.03	8,487.31	20.71	2,695.00	6.58	7,487.53 18.27
	Southern	638	2,194,275.16	357,629.15	16.30	114,978.25	5.24	956,221.24 43.57
Georgia	Northern	1,270	713,121.46	162,041.75	22.73	73,480.62	10.30	211,921.98 29.72
	Middle	791	683,813.63	185,685.52	27.15	64,708.78	9.46	266,214.11 38.93
	Southern	503	1,016,099.72	326,795.15	32.16	117,595.35	11.57	201,440.19 19.82
Hawaii		104	45,985.21	11,791.90	25.64	2,714.33	5.90	4,731.66 10.29
Idaho		161	45,997.27	22,899.74	49.79	3,953.26	8.59	8,038.29 17.48
Illinois	Northern	1,800	6,597,295.95	1,368,241.59	20.74	576,384.33	8.74	2,183,546.57 33.10
	Eastern	545	399,363.58	90,951.27	22.77	32,244.97	8.07	141,444.14 35.42
	Southern	820	4,857,279.95	1,356,459.03	27.93	181,020.87	3.73	951,990.67 19.60
Indiana	Northern	406	461,060.43	109,474.21	23.74	31,490.08	6.83	146,417.41 31.76
	Southern	397	341,654.09	60,627.61	17.75	16,128.23	4.72	171,976.64 50.34
Iowa	Northern	370	583,269.21	100,941.97	17.31	46,346.44	7.95	333,445.94 57.17
	Southern	606	664,106.31	112,146.92	16.89	51,424.67	7.74	254,565.69 38.33
Kansas		629	477,277.76	97,990.26	20.53	30,902.76	6.48	209,347.42 43.86
Kentucky	Eastern	740	643,865.01	96,927.47	15.05	34,032.36	5.29	334,127.21 51.89
	Western	1,173	1,503,009.45	253,894.55	16.89	40,360.74	2.69	952,187.91 63.35
Louisiana	Eastern	243	128,866.52	40,886.89	31.73	16,107.05	12.50	33,949.45 26.34
	Western	301	207,152.04	33,596.17	16.22	6,019.05	2.91	129,462.10 62.50
Maine		827	109,450.69	34,545.24	31.56	10,268.57	9.38	19,158.97 17.50
Maryland		376	1,777,168.96	245,981.61	13.84	88,849.00	4.50	913,612.11 51.41
Massachusetts		2,840	6,211,883.27	1,293,735.99	20.83	615,795.47	9.91	1,542,619.42 24.83
Michigan	Eastern	1,001	3,251,909.36	545,395.43	16.77	257,202.02	7.91	759,403.05 23.35
	Western	398	476,904.29	93,237.13	19.55	27,840.74	5.84	79,712.89 16.72
Minnesota		1,800	1,059,174.49	254,613.84	24.03	98,550.55	9.30	233,217.13 22.02
Mississippi	Northern	129	152,244.93	30,034.66	19.73	9,791.68	6.43	25,877.66 16.70
	Southern	400	339,792.73	71,247.33	20.97	21,961.55	6.46	69,586.79 20.48
Missouri	Eastern	609	2,865,981.95	475,153.03	16.58	129,236.30	4.51	184,288.03 6.43
	Western	1,301	5,894,565.09	323,038.04	5.48	224,933.87	3.81	455,209.97 7.72
Montana		336	35,782.54	10,317.06	29.11	2,209.83	6.17	6,303.78 17.34
Nebraska		682	2,856,500.19	631,826.33	22.12	184,439.14	6.46	991,316.53 34.70
Nevada		66	328,753.19	83,820.88	25.50	24,575.56	7.48	173,286.24 52.71
New Hampshire		115	116,259.46	20,502.65	17.64	4,731.67	4.07	19,452.80 16.73
New Jersey		1,003	2,621,786.17	768,568.21	29.32	278,145.30	10.61	684,821.46 26.12
New Mexico		73	36,625.89	9,886.89	26.99	3,107.29	8.48	24,211.58 66.10
New York	Northern	1,025	1,152,221.87	328,485.29	28.51	167,560.00	14.54	367,199.98 31.87
	Eastern	1,280	2,262,440.40	428,556.40	18.94	157,944.12	6.98	178,753.34 7.90
	Southern	1,785	7,700,515.84	3,041,641.75	39.50	954,856.69	12.40	825,706.86 10.72
	Western	1,243	738,749.90	245,595.46	33.24	104,813.64	14.19	137,627.00 18.63
North Carolina	Eastern	261	1,215,191.57	109,867.11	9.04	39,113.64	3.22	657,860.16 54.14
	Middle	121	351,554.67	42,303.29	12.03	11,694.04	3.33	239,844.51 68.22
	Western	147	452,747.09	72,704.46	16.06	18,427.41	4.07	241,556.00 53.35
North Dakota		298	244,770.73	83,430.19	34.08	21,113.07	8.63	23,628.92 9.65
Ohio	Northern	3,194	3,315,749.60	781,562.11	23.57	282,822.07	8.53	1,552,068.91 46.81
	Southern	1,579	2,030,098.67	301,944.07	14.87	110,008.60	5.42	889,287.51 43.81
Oklahoma	Northern	174	40,258.32	16,239.25	40.34	3,754.12	9.33	8,368.78 20.79
	Eastern	252	341,862.29	91,134.00	26.66	20,447.00	5.98	115,071.03 33.66
	Western	322	391,999.21	83,366.20	21.27	36,162.64	9.22	67,374.60 17.19
Oregon		1,732	585,437.51	164,317.96	28.07	59,166.85	10.11	206,084.55 35.21
Pennsylvania	Eastern	821	3,045,899.48	848,403.40	27.85	368,089.27	12.08	868,503.98 28.51
	Middle	499	1,954,847.99	323,045.20	16.53	89,406.75	4.57	1,068,707.59 54.66
	Western	749	2,237,320.80	621,110.38	27.76	200,055.93	8.94	705,185.24 31.52
Porto Rico		86	131,731.43	34,725.12	26.36	7,182.70	5.45	38,309.87 29.08
Rhode Island		238	193,078.27	47,158.45	24.43	8,299.75	4.30	26,973.78 13.97
South Carolina	Eastern	141	748,617.36	111,026.94	14.83	39,183.25	5.23	344,065.69 45.96
	Western	89	262,014.31	32,282.83	12.32	6,841.25	2.61	119,005.98 45.42
South Dakota		262	202,987.09	50,868.66	25.06	16,568.08	8.16	38,399.43 18.92
Tennessee	Eastern	1,176	573,019.81	89,130.63	15.55	43,512.71	7.59	246,437.67 43.01
	Middle	1,073	247,535.04	64,831.32	26.19	15,776.73	6.37	36,740.25 14.84
	Western	855	751,440.77	125,579.84	16.71	48,917.58	6.51	114,691.03 15.26
Texas	Northern	341	1,706,227.77	376,204.03	22.05	163,763.19	9.60	616,982.01 36.16
	Eastern	143	276,141.56	51,044.83	18.49	22,939.73	8.31	115,812.64 41.94
	Southern	118	485,600.53	68,158.39	14.04	26,665.19	5.49	172,568.58 35.54
	Western	201	912,278.37	98,965.06	10.85	30,290.15	3.32	526,066.65 57.67
Utah		339	64,745.40	31,944.40	49.34	7,614.64	11.76	11,206.09 17.31
Vermont		226	92,326.04	20,579.40	22.29	4,687.00	5.08	41,557.10 45.01
Virginia	Eastern	1,631	1,194,009.46	223,613.62	18.73	75,750.94	6.34	677,225.89 56.72
	Western	1,041	2,054,706.06	145,814.65	7.10	52,707.16	2.57	113,376.73 5.52
Washington	Eastern	383	156,480.77	52,620.25	33.63	18,136.32	11.59	29,664.13 18.96
	Western	1,380	360,013.96	105,015.21	29.17	45,138.80	12.54	82,546.58 22.90
West Virginia	Northern	412	526,413.11	82,181.43	15.61	24,654.73	4.68	287,925.00 54.70
	Southern	635	531,986.14	72,984.76	13.72	13,950.08	2.62	316,804.27 59.55
Wisconsin	Eastern	1,390	708,816.78	166,300.39	23.46	70,205.30	9.90	171,264.73 24.16
	Western	390	525,103.11	125,134.12	23.83	53,696.67	10.23	239,109.17 45.54
Wyoming		57	24,676.40	7,408.40	30.02	2,506.44	10.16	4,382.22 17.76
TOTALS		60,548	\$106,245,487.21	\$22,220,143.99	20.91	\$7,663,708.95	7.21	\$31,109,642.32 29.23

(See previous page)

CREDIT MONTHLY

Bankruptcy Statistics—Fiscal Year Ended June 30, 1930

PAID PRIORITY SECURED OR LIEN CREDITORS	Per cent. of Proceeds	Liabilities Paid	PAID GENERAL CREDITORS			Per cent. of Liabs. Paid	PAID CREDITORS ALL CLASSES			Per cent. Liabs. Paid
			Amount	Per cent. of Proceeds	Liabilities		Amount	Per cent. of Proceeds	Liabilities	
72.55	\$2,099,417.52	70.37	\$350,827.15	17.23	\$5,916,431.23	5.93	\$1,828,189.95	89.78	\$8,015,848.75	22.07
21.14	494,681.94	6.30	59,919.14	40.64	1,329,306.81	4.51	91,080.13	61.78	1,823,988.75	4.99
51.94	378,091.72	58.21	128,316.92	31.73	1,743,917.99	7.36	338,411.27	83.67	2,122,009.71	1.59
	58.50				4,804.48				4,862.98	
20.25	200,901.01	11.38	41,196.84	36.48	1,282,966.32	3.21	64,058.50	56.73	1,483,867.33	4.32
21.02	2,441,444.22	5.40	375,920.78	59.94	5,242,987.12	7.17	507,733.48	80.96	7,684,431.34	6.61
18.95	341,935.78	8.07	92,584.01	63.61	848,128.80	10.92	120,174.49	82.56	1,180,064.50	9.34
23.14	4,151,347.18	7.57	623,282.94	45.91	17,805,470.73	3.50	937,504.44	69.05	21,956,827.91	4.73
23.55	18,698,269.32	11.57	5,731,741.84	62.42	59,679,817.55	9.60	7,894,186.03	85.97	68,378,086.87	11.54
40.12	1,295,585.71	9.80	114,437.29	36.16	3,462,721.04	3.30	241,407.04	76.28	4,758,306.75	5.07
27.01	4,941,924.14	5.64	479,411.39	46.47	8,205,689.54	5.84	758,086.57	73.48	13,147,613.68	5.77
51.40	211,799.28	38.72	61,373.53	38.47	506,834.31	12.11	143,372.73	89.87	718,633.59	19.95
20.70	148,390.89	26.89	110,725.64	57.42	2,064,529.46	5.36	150,634.85	78.12	2,212,920.35	6.81
18.27	59,990.78	12.48	21,751.46	53.08	232,994.50	9.34	29,238.99	71.35	292,985.28	9.98
43.57	19,848,891.93	4.82	839,260.22	38.25	21,554,794.28	3.89	1,795,481.46	81.82	41,403,686.21	4.34
29.72	1,280,220.29	16.55	317,633.61	44.54	10,037,367.91	3.16	530,555.59	74.26	11,317,588.20	4.69
38.93	2,305,782.47	11.11	203,050.33	29.69	4,900,763.23	4.14	469,264.44	68.62	7,206,545.70	6.51
19.82	2,606,252.41	7.72	459,312.91	45.23	7,614,663.46	6.03	660,753.10	65.05	10,220,915.87	6.46
10.29	40,736.82	11.62	29,218.49	63.54	568,255.91	4.26	33,950.15	73.83	608,992.73	5.57
17.48	111,539.04	7.21	13,794.83	30.00	718,978.36	1.92	21,833.12	47.48	830,517.40	5.57
33.10	13,377,964.27	16.32	2,920,706.18	44.27	32,090,451.20	9.10	5,104,252.75	77.37	45,468,415.47	11.23
35.42	2,534,929.05	5.58	158,470.49	39.68	3,555,735.42	4.46	299,914.63	75.10	6,090,664.47	4.92
19.60	2,236,640.32	42.56	2,501,424.71	51.49	11,298,046.66	22.14	3,453,415.38	71.09	13,534,686.98	25.52
31.76	2,014,227.92	7.27	168,437.75	36.53	3,865,578.94	4.36	314,855.16	68.29	5,879,806.86	5.36
50.34	2,359,938.31	7.29	98,447.31	28.81	3,217,924.37	3.06	270,423.95	79.15	5,577,862.68	4.85
57.17	4,236,937.12	7.87	141,987.43	24.34	5,192,431.88	2.73	475,433.37	81.51	9,429,369.00	5.04
38.33	5,717,687.12	4.45	241,212.49	36.32	9,166,789.81	2.63	495,778.18	74.65	14,884,476.93	3.34
43.86	910,146.72	23.00	167,923.25	35.18	4,016,767.61	4.18	377,270.67	79.04	4,926,914.33	7.66
51.89	1,131,125.24	29.53	198,359.91	30.81	2,880,358.70	6.89	532,487.12	82.70	4,011,483.94	13.27
63.35	1,734,676.17	54.89	269,239.03	17.91	3,861,407.71	6.97	1,221,426.94	81.26	5,596,083.88	21.83
26.34	1,374,629.73	2.47	51,851.05	40.24	2,248,716.09	2.31	85,800.50	66.58	3,623,345.82	2.37
62.50	818,632.72	15.81	37,550.09	18.12	1,727,762.15	2.17	167,012.49	80.62	2,546,394.87	6.57
17.50	1,326,986.39	1.44	54,797.66	50.07	1,900,572.72	2.88	73,956.63	67.57	3,227,559.11	2.29
51.41	3,331,531.74	27.42	598,811.96	33.69	6,170,946.84	9.70	1,512,424.07	85.10	9,502,478.58	15.92
24.83	12,508,071.47	12.33	3,172,552.49	51.07	40,028,200.82	7.93	4,715,171.91	78.90	52,536,272.29	8.98
23.35	7,414,633.10	10.24	1,917,912.50	58.98	9,951,477.22	19.27	2,677,315.55	82.33	17,369,110.32	15.41
16.72	491,824.38	16.21	299,276.84	62.75	2,631,398.04	11.37	378,989.73	79.47	3,123,222.42	15.41
22.02	4,310,548.10	5.41	553,653.88	52.27	10,195,292.96	5.43	786,871.01	74.29	14,505,681.06	5.42
16.70	394,594.39	6.56	91,406.09	60.04	7,320,933.89	1.24	117,283.75	76.74	7,715,528.28	1.52
20.48	1,509,524.05	4.61	191,341.31	56.31	2,780,270.50	6.88	260,928.10	76.79	4,289,794.55	6.08
6.43	3,228,058.90	5.71	2,176,463.15	75.94	12,971,037.29	16.78	2,360,751.18	82.37	15,499,096.19	15.17
7.72	4,607,187.39	9.89	4,783,679.41	81.15	12,708,490.07	37.64	5,238,889.38	87.87	17,315,596.46	31.41
17.34	793,970.47	.79	18,757.48	52.42	1,364,395.56	1.37	25,061.26	69.76	2,158,366.03	1.16
34.70	2,739,860.98	36.18	1,190,912.67	41.69	7,591,469.83	15.69	2,182,229.20	76.39	10,331,330.81	21.12
52.71	405,282.48	42.76	71,431.25	21.73	1,363,592.02	5.34	244,717.49	74.44	1,741,874.50	14.05
16.73	222,655.38	8.74	74,311.91	63.91	706,137.19	10.52	93,764.71	80.64	928,792.57	10.10
26.12	20,017,612.07	3.42	1,044,925.25	39.86	24,184,821.00	4.33	1,729,746.71	65.98	44,202,433.07	3.91
66.10	158,868.72	15.23	2,526.42	6.90	695,054.38	.36	26,738.00	73.00	853,923.10	3.13
31.87	7,351,826.49	4.99	455,536.34	39.54	10,610,027.60	4.29	822,736.32	71.41	17,961,854.09	4.58
7.90	6,986,200.06	2.56	1,634,450.46	72.25	30,587,884.43	5.34	1,813,203.80	80.15	37,574,084.49	4.83
10.72	9,978,569.36	8.27	3,413,485.46	44.33	65,199,993.90	5.24	4,239,192.32	55.05	75,178,563.26	5.64
18.63	4,790,636.31	2.87	354,512.39	47.99	22,088,380.08	1.61	492,139.39	66.62	26,879,016.39	1.83
54.14	2,321,537.73	28.34	423,838.58	34.88	5,371,396.94	7.89	1,081,698.74	89.02	7,693,934.67	14.06
68.22	935,206.84	25.65	54,744.44	12.72	1,515,105.60	3.61	294,588.95	80.94	2,450,312.44	12.02
53.35	1,024,282.19	23.58	127,637.80	28.19	3,130,515.48	4.08	369,193.80	81.54	4,154,797.67	8.89
9.65	1,936,332.69	1.17	128,655.45	52.56	2,745,239.29	4.69	152,284.37	62.21	4,681,572.61	3.25
46.81	3,561,973.39	43.57	912,816.40	27.53	11,235,540.58	8.12	2,464,885.31	74.34	14,797,513.97	16.66
43.81	6,049,487.46	14.00	784,109.56	38.67	12,084,541.88	6.49	1,673,397.07	82.48	18,334,029.34	9.13
20.79	654,087.48	1.27	14,878.54	36.96	2,997,914.39	.50	23,247.32	57.75	3,652,001.87	.64
33.66	623,153.12	18.46	134,200.10	39.26	2,918,399.31	4.60	249,271.13	72.92	3,541,552.43	7.04
17.19	845,293.53	7.97	240,178.99	61.27	2,298,355.40	10.45	307,553.59	78.46	3,143,648.93	9.78
35.21	2,240,845.23	9.21	208,825.17	35.67	6,327,577.28	3.30	414,909.72	70.88	8,568,422.51	4.84
28.51	12,676,492.67	6.85	1,248,392.15	40.99	19,769,747.25	6.31	2,116,896.13	69.50	32,436,239.92	6.53
54.66	2,900,786.35	36.84	527,153.73	26.97	7,624,894.83	6.91	1,595,861.32	81.63	10,525,681.18	15.16
31.52	5,198,987.17	13.56	854,705.12	38.20	14,105,442.96	6.06	1,559,890.36	69.72	19,304,430.13	8.08
29.08	45,371.87	84.44	56,381.75	42.80	877,847.82	6.42	94,691.62	71.88	923,219.69	10.26
13.97	33,731.56	79.97	113,386.91	58.73	2,360,158.70	4.80	140,360.69	72.70	2,393,890.26	5.86
45.96	1,503,143.24	22.89	275,330.39	36.78	3,232,875.48	8.52	619,396.08	82.74		



By A. J. LUTHER

A. J. Luther & Co.,
Retail Counsellors

Mr. Luther's organization is the largest small store merchandising organization in this country. Over a thousand stores have been completely analyzed and modern methods personally installed during 1930.

The first model dry goods, drug and electrical stores in these fields were installed by his organization. Thirty large wholesalers and twenty-six manufacturers have availed themselves of this knowledge of the independent retailer in their merchandising plans.

ACERTAIN small town retailer in Kansas was finding it just a little more difficult to make a profit each year. Sales were declining and expenses were increasing.

As better roads were being built more and more of his customers were going to larger nearby towns where they could shop around and see attractive displays of merchandise. Frequently they paid more for the same merchandise he carried.

In other words, buying habits were changing. No longer did he get virtually all of the business in his lines from the local people. No longer could he count certain customers as his own.

Thus it became more and more difficult each year for this retailer to discount his bills. He owed nearby wholesalers considerable sums of money.

A careful scrutiny of this store on the first call by our merchandising man

showed that this retailer had not kept his store up to date. He had not kept pace with modern merchandising. Our first study was of the displays, the arrangement of the fixtures and the location of the departments in his store.

This store carried a general line of merchandise, including dry goods, groceries and shoes. In the old arrangement the groceries were on the left hand side as the customer entered the store. Because of the fact that customers buy groceries much more frequently than dry goods, the customer traffic was all through the left entrance, up to the grocery counter—and customers left the same way they came in.

A high section of shelving down through the center of the store shut off most of the view of the dry goods, furnishings, and shoe sections. Customers on the grocery side could hardly see into any of the other departments of the store. Customers very seldom would cross over to the other side of the store unless in need of some particular item that they would go over and ask for. This would happen very rarely as customers would often order something from one of the other departments and wait at the grocery counter while the clerk went over to get it.

An actual count of customers coming into the store at several different times of the day and on different days of the week, showed that an average of only one out of every twenty people coming into the store used the right entrance (the dry goods side) while the other nineteen used the left entrance (the grocery side). Only one out of every eighteen customers on the grocery side of the store ever crossed over to the right side, into the dry goods, notions, furnishings or shoe departments and left the store using the right door.

The poor customer circulation together with the old style arrangement

THROUGH OPEN DISPLAY AND SOUND MERCHANDISING as did the Kansas store described in this article. As Business Service and Retailer-Customer Counsel become an established responsibility of wholesalers and manufacturers, CREDIT MONTHLY is presenting articles that are useful not only to its retail readers but which the wholesaler and manufacturer can also use in helping their customers become better business men.

of fixtures, long counters, show cases, high center shelving, and the illogical location of departments in the store, made it difficult to sell merchandise in more than one department. The only sales usually made were for items demanded by the customers. Several lines of merchandise were carried in stock that the customers did not know were stocked.

The "before and after" pictures accompanying this article indicate the changes made in the arrangement of fixtures and the location of departments in the store.

First, the office was moved from the center of the rear wall into the left side rear corner. The grocery department was moved back to the rear wall and took up all the space from the office to the right wall across the rear of the store. The shoe department was moved from the rear, right side to the left side wall, directly ahead of the office. Ahead of the shoe department, men's work clothing (shirts, overalls, etc.) was stocked, then men's furnishings from this point up to the front, with dress shirts, neckties, etc., in the very front.

From the front to the rear on the right side shelving we located hosiery, lingerie and other ladies' furnishings, piece goods and notions. A short section of the shelving on the right and to the rear ahead of the grocery depart-

ment carried "household needs" (dishes, lamp chimneys, etc.).

The center division of shelving was removed leaving the whole center floor space for the island arrangement of open top display tables as shown in the "after" picture.

This change in location of departments and the neat, attractive displays of price-marked merchandise on the island arrangement of open top display tables has revolutionized the whole store.

Customers now use both doors—an actual check shows the same number of customers using the right door as the left. The grocery department now located in the rear causes every customer to come in contact with all the other merchandise on display on their way in and out of the store. Counters and show cases have been taken away from the side wall shelving, leaving a convenient wide aisle on either side of the store and also a wide aisle through the center of the store from the front to

the rear. These convenient wide aisles, running lengthwise, with wide cross-aisles, invite a freedom of customer circulation.

This merchant stated, "With the old arrangement much time was wasted looking for merchandise. We could not find it. Now everything is out in the open. More sales are made in considerably less time with the same number of salespeople. Customers now shop all over the store. Merchandise seems to sell itself."

One of the outstanding examples of increased sales came from the ladies' silk hosiery table. He reports, "Several ladies said they did not know I sold silk hosiery. (They were right—I only stocked it.) That they had always been buying all their hosiery out of town. My hosiery sales have increased over 200 per cent. and are still showing a steady increase."

The average of the monthly percent-

ages of increases in sales amounts to 35 per cent. In his own words, "I think that it proves that remodeling our store in the 1930 style is a great success."

The entire change in this store was accomplished at a cost of only \$295. The average increase in sales of 35 per cent. has repaid this small investment many times since the completion of the job. The cost of remodeling covered eight open top tables, bulb edge glass dividers, hardware, price card stands, and a small amount of carpenter labor needed to put in uniform shelving.

Actual examples and incidents of this nature all go to show just what thorough and scientific study of the merchant's own store arrangement problems will do toward increasing his selling facilities.

A 35 per cent. average increase in monthly sales is a welcome addition to any merchant, and the fact that it was made possible merely through rearrangement methods is doubly significant.

Left hand side of store



The photograph shown above gives one view of the store before rearrangement. It is apparent that no thought had been given to the proper location of departments. The high center section of shelving would not allow customers in the grocery department to see into other departments and hence there was no incentive to shop around. The only merchandise sold was that which customers asked for. The small amount of merchandise out on display (and this not price-marked) resulted in very few, if any, "accidental" sales.

BEFORE

Right hand side of store



AFTER



This view of the store after rearrangement shows the cause for the average increase of thirty-five per cent in sales. Wide aisles and open displays of price-marked merchandise insure complete customer circulation.

This view of the store shows the grocery department before rearrangement. It is located on the left hand side and in the very front of the store. Eighty-five per cent of the store's total volume came from this department as other departments in the store were not given a chance to produce. Under the new arrangement which moved the grocery department back to the rear wall, every time a grocery customer enters and leaves the store he must pass all the open displays of dry goods and furnishings.

"Changing Conversation into Conservation"



© Ewing Galloway

The Flying Squadron

and

Economic Credit Council

A REFERENCE to page 29 of the October CREDIT MONTHLY will give you the full story of the organization and the purpose of the Flying Squadron and Economic Credit Council, which has been instituted to set in motion definite movements against credit waste and inefficiency. Every member of the Squadron and Council who brings a new member into the N. A. C. M. "wins his wings." The members of this Council, through their enlistment, show a breadth of vision in co-operating in this important work and evidence a fine spirit and heartfelt interest in relation to the work the Council is dedicated to perform.

There are to date approximately 800 members enrolled in the Squadron and Council. The names of those who enlisted since the last publication of the list are given below:

Joseph Adler, The Pacific-Godman Shoe Co., San Francisco, Calif.
H. M. Ahlgren, Standard Oil Co. of California, Phoenix, Ariz.
Freeman C. Allen, Eastman Kodak Co., Rochester, N. Y.
E. B. Anderson, Interstate Machinery & Supply Co., Omaha, Neb.
George Castings, The City National Bank, Knoxville, Tenn.
R. B. Comstock, Tolerton & Warfield Co., Sioux City, Iowa.
J. E. Conley, Hulman & Company, Terre Haute, Ind.
P. E. Crowley, Columbia Phonograph Co., San Francisco, Calif.
H. C. Davies, Perfection Stove Co., Oakland, Calif.
W. R. DeLoach, The Fulton National Bank, Atlanta, Ga.
M. A. Dent, Atlas Imperial Diesel Engine Co., Oakland, Calif.
E. T. Dugan, H. R. Mallinson & Co., Inc., N. Y. C.
J. A. Evans, Tayloe Paper Co., Fort Worth, Texas
K. A. Flanders, The Bradstreet Co., Providence, R. I.
H. P. Fleming, The First National Bank & Trust Co., Macon, Ga.
Julian Gifford, Zenith Carburetor Co., Detroit, Mich.
F. H. Gudgeon, Hills Bros., Inc., Minneapolis, Minn.
J. A. Gurley, Gurley Candy Co., Minneapolis, Minn.
Julia Hart, Hart Silk Co., San Francisco, Calif.
R. J. Hartley, Clarksburg Wholesale Co., Clarksburg, W. Va.
M. E. Heickert, Fargo Mercantile Co., Fargo, N. D.
Miss J. Holzworth, Hilb & Co., Inc., Denver, Colo.
C. L. Jackett, Royal Milling Co., Great Falls, Mont.
W. H. Johnson, Dold Packing Co., Omaha, Neb.
Horace S. Johnston, Central Trust Co., Rochester, N. Y.
F. W. Kelly, Cochran-Sargent Co., Fargo, N. D.
W. A. Landers, Coca-Cola Co., Atlanta, Ga.
L. E. Langman, Consumers Biscuit Co., New Orleans, La.
B. A. Leise, St. Louis Independent Packing Co., Pittsburgh, Pa.
Kenneth McAlpine, Beal-Burrow Dry Goods Co., Little Rock, Ark.

WINGS THAT ARE WON

Members of the Flying Squadron and Economic Credit Council who have won their wings now total 77.

George A. Coffey, Fox-Coffey-Edge Company, Dallas, Texas.

Frank H. Eichler, American Smelting & Refining Co., San Francisco, Calif.

T. F. Meeds, The McClinton-Trunkey Co., Spokane, Wash.

J. P. Byrne, The Sherwin-Williams Co., Kansas City, Mo.

Matt W. Miller, P. R. L. Hardenbergh & Co., St. Paul, Minn.

Hugh McDonald, Wykagyl Supply Corp., New Rochelle, N. Y.

H. Guy Lyon, Robinson-Pettet Co., Louisville, Ky.

A. H. Dykes, Dykes Lumber Co., N. Y. C.
J. Roy Wilbur, Newell & Truesell Co., Binghamton, N. Y.

L. H. Cooke, Pangburn Company, Fort Worth, Texas.

William K. Adams, First Wisconsin National Bank, Milwaukee, Wis.

Harley G. Long, The Youngstown Sheet & Tube Co., Youngstown, Ohio.

J. Edward Gross, New Jersey Zinc Co., New York City.

Kenneth H. Campbell, Service Manager, Foreign Credit Interchange Bureau, N. A. C. M., N. Y. C.

P. A. Hoyt, Byron-Jackson Co., Los Angeles, Calif.

F. G. Kellogg, Morris Sanford Co., Cedar Rapids, Iowa.

C. G. Schact, Schact-Tuck Co., Rockford, Ill.

E. H. Lothian, Business Manager, Fraud Prevention Dept., Central Division, N. A. C. M., Chicago, Ill.

William C. Wright, First Bank & Trust Co., Utica, N. Y.

M. A. Myers, Ayers Auto Supply Co., St. Joseph, Mo.

E. W. Gross, Sunset Electric Co., Portland, Oregon.

F. B. Ramey, The Texas Company, Atlanta, Ga.

T. J. Mullane, Crescent Manufacturing Co., Seattle, Wash.

W. W. Clarke, The Jackson Co., Los Angeles, Calif.

Arthur Senders, Lang-Senders & Co., Portland, Oregon.

O. P. Meckes, John Scowcroft & Sons Co., Ogden, Utah.

E. S. Jones, Marquette National Bank, Minneapolis, Minn.

J. W. Hoffman, Forman, Ford & Co., Minneapolis, Minn.

A. B. Loye, S. G. Palmer Co., Minneapolis, Minn.

P. E. McCracken, The Ferris Co., Dallas, Tex.
H. E. Marker, Levy-Ward Grocer Co., South Bend, Ind.

A. Masliko, John G. Woodward & Co., Inc., Council Bluffs, Iowa.

F. H. Mercer, Von Lengerke & Antoine, Chicago, Ill.
Charles H. Merrill, Holebrook, Merrill & Stetson, Inc., San Francisco, Calif.

H. J. Miller, Fidelity Trust Co., Detroit, Mich.
E. C. Mitchell, Booker & Kinnaird, Louisville, Ky.

E. B. Moles, D. K. Baxter, Inc., Sioux City, Iowa.
W. O. Nice, Armour & Co., Duluth, Minn.

C. V. Nichols, Morley-Murphy Co., Green Bay, Wis.
H. C. Newell, Pittsburgh Plate Glass Co., Atlanta, Ga.

H. Oldroyd, June Dairy Products Co., Inc., Newark, N. J.

W. R. Olsen, Finch, Van Slyck & McConvile, St. Paul, Minn.

G. E. Osborne, The Hearn Paper Co., Youngstown, Ohio.

George B. Parke, The Waldin, Kinnan & Marvin Co., Toledo, Ohio.

Mrs. E. M. Parry, Pitman-Moore Co., Indianapolis, Ind.

Miss Ellen E. Pearson, McCrady-Rodgers Co., Bradock, Pa.

Lee W. Peck, Lagomarcino-Grupe Co., Burlington, Iowa.

Richard A. Piske, Jaubert Bros., New Orleans, La.
Paul T. Powell, Williamson-Dickie Manufacturing Co., Fort Worth, Texas.

P. A. Rockwell, Billings Hardware Co., Billings, Mont.

J. Rosmait, The City Bank, Milwaukee, Wis.
J. D. Royer, Home Packing & Ice Co., Terre Haute, Ind.

William H. Schmidt, Morse & Rogers, N. Y.
L. E. Schwab, Field-Ernst Envelope Co., San Francisco, Calif.

H. C. Scory, Northern Corrugating Co., Green Bay, Wis.

W. Dayton Shelly, John B. Stetson Co., Philadelphia, Pa.

H. H. Slatery, East Tennessee Packing Co., Knoxville, Tenn.

W. J. Smalley, Kansas City Automobile Supply Co., Kansas City, Mo.

A. L. Somers, Standard Brands, Inc., Cleveland, Ohio.
F. W. Standart, Standart & Main, Denver, Colo.

E. H. Streckner, David G. Evans Coffee Co., St. Louis, Mo.

V. D. Stuart, Oakland Tribune, Oakland, Calif.

T. J. Sullivan, Inland Steel Co., Chicago, Ill.

T. B. Templeman, E. R. Squibb & Sons, San Francisco, Calif.

C. F. Thompson, Empire Produce Co., Elmira, N. Y.

J. F. Totten, Rasmussen & Co., Portland, Ore.

H. Uehlinger, Egan & Hausman Co., Inc., L. I. C., N. Y.

Miss J. M. Ulrey, Fashion Shoe Co., Inc., St. Louis, Mo.

D. H. Van Dusen, Grinnell Bros., Detroit, Mich.
F. Von Eschen, Ryan Grocery Co., Billings, Mont.

J. G. Walsh, Crane Co., Great Falls, Mont.
J. G. Wayland, Haynes-Henson Shoe Co., Knoxville, Tenn.

Mrs. Myrtle B. West, West-Nevitt Co., Oshkosh, Wis.

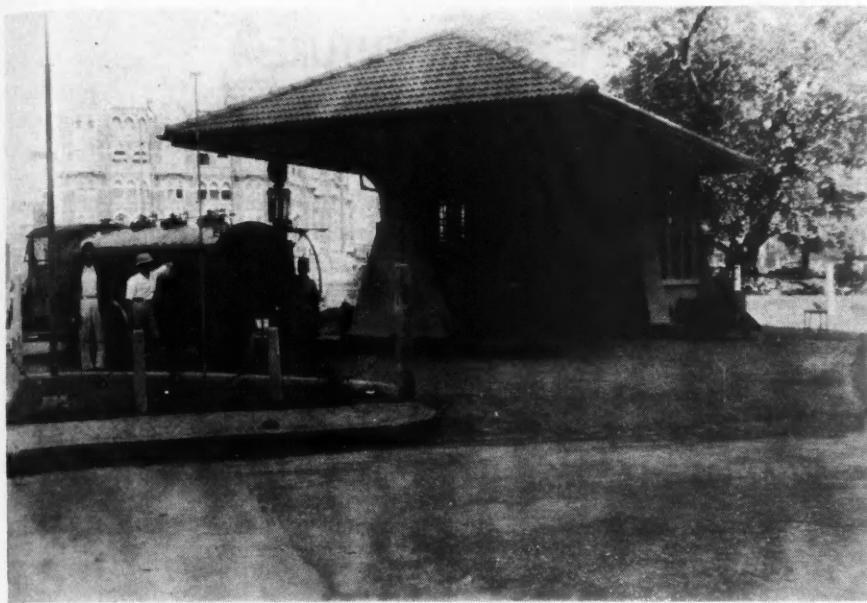
T. J. Whearty, National Carbon Co., Inc., L. I. C., N. Y.

H. E. White, Chamberlain Co., Los Angeles, Calif.
F. Howard Winney, Atwood & Co., Minneapolis, Minn.

J. E. Woodfin, T. D. Stokes & Co., Richmond, Va.
A. C. Young, Majestic Manufacturing Co., St. Louis, Mo.

E. E. Young, Leo J. Meyberg Co., San Francisco, Calif.

When the Hindu Buys An Automobile



A service station in Bombay, India

THE system enabling purchasers of automobiles and busses to pay for them in instalments was introduced into India about nine years ago. Busses gradually became increasingly popular all over the country and services were (and still are being) organized as feeders to railways and in competition with other means of locomotion in the towns. The introduction of the hire-purchase system has certainly helped to increase the sale of all kinds of cars, but particularly busses. For any business which on the surface looks profitable, appeals to the Indian, whether he has the money to finance it or not, nor does it much matter whether he lacks experience in such business. He gets his car, paying a third of the price down and the balance in twelve monthly instalments plus 10 per cent. as interest. He may not have even the first instalment in ready cash but he will borrow the money from a local Banya or Marwari, as the money-lender is called in India, which is essentially a country of moneylenders.

The average Indian, when entering on the easy payment plan holds no serious view of the sanctity of the contract, and with many the idea is to pay the first instalment and nothing else. When the business was first started in India, many vehicles were seized, resulting in heavy losses to the companies undertaking such finance. As a rule, the "owner" is given fourteen days in which

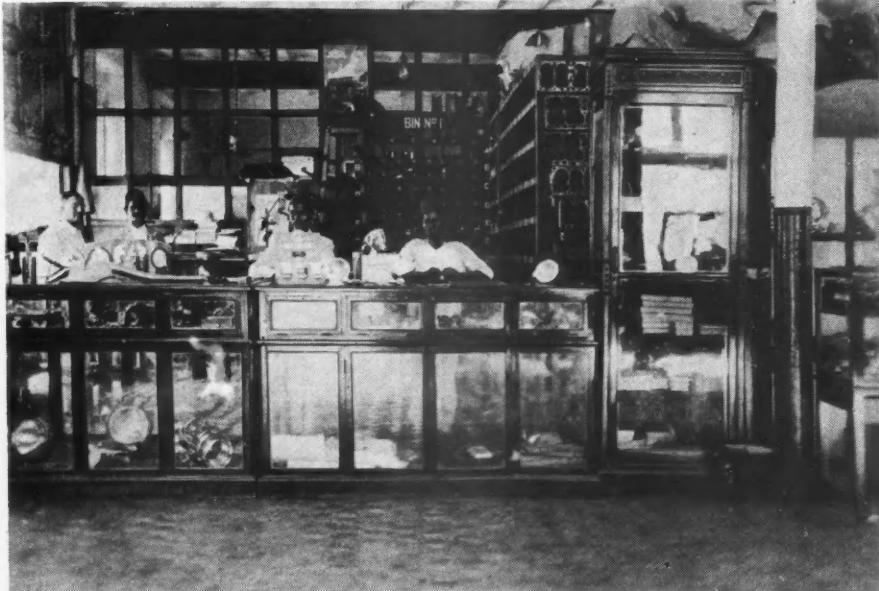
to pay, failing which the car is seized and sold. To make this business a success, it is for the company to educate the Indian to paying up regularly and to run his car—if a bus—in a business-like manner and with an eye to its upkeep. Should he find it difficult to pay a month's instalment, he will ask the company financing such easy payments system to let him off and pay interest instead. But as security of a car once used depreciates very rapidly in India, a firm attitude is generally taken, and the request refused.

On the instalment plan a peculiar system of credit vigilance is required, as described in this colorful story by **WALTER BUCHLER**, who is at present in India observing these conditions at first hand.

The Hindu running a bus service with one or more cars does not realize that the money he is paying in the way of instalments is not running expenses, but constitutes savings. The man is inclined to complain that he is not making sufficient to pay the instalments.

Seizing busses or cars is no easy task in India and requires tactics which may strike the reader who is unfamiliar with conditions in India as very strange. It is of little use to go up to a man and tell him that his car is going to be seized, for he will simply put his foot on the accelerator and disappear in a cloud of dust. The favorite method is to get a local resident in the purchaser's district to hire the car (usually in the case of a bus) for the day in return for a pre-arranged sum. The latter will then fill the car with his family and drive to an agreed place where it is locked up. This method of seizure

(Continued on page 45)



An automobile accessory store in Bombay

Nation-Wide Collection and Sales Conditions

WHAT THEY ARE AT PRESENT

THE OUTLOOK FOR THE NEAR FUTURE

CREDIT MONTHLY offers its tenth monthly survey of Collections and Sales Conditions. This survey is based upon reports from 109 cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and

■ This is the tenth monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit Monthly.

"Are they paying?", are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so

that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities report a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to **CREDIT MONTHLY**. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

COLLECTIONS

SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Alabama	Montgomery			Slow			Slow
Arizona	Phoenix			Slow		Fair	
Arkansas	Little Rock			Slow			Slow
California	Los Angeles		Fair			Fair	
	Oakland		Fair			Fair	
	San Diego		Fair			Fair	
	San Francisco			Slow		Fair	
Colorado	Denver		Fair			Fair	
	Pueblo		Fair			Fair	
Connecticut	New Haven	Good			Good		
	Waterbury			Slow			Slow
Florida	Tampa		Fair			Fair	
Georgia	Atlanta		Fair			Fair	
	Macon			Slow			Slow
	Savannah			Slow			Slow
Idaho	Boise			Slow			Slow
Illinois	Galesburg	Good	Fair			Fair	
	Peoria			Slow		Fair	
	Quincy		Fair				Slow
	Rockford		Fair				Slow
	Springfield						
Indiana	Evansville			Slow			Slow
	Fort Wayne		Fair			Fair	
	Indianapolis		Fair				Slow
	South Bend		Fair			Fair	
	Terre Haute			Slow			Slow
Iowa	Burlington	Good		Slow			
	Cedar Rapids			Slow		Fair	
	Davenport			Slow		Fair	
	Des Moines		Fair			Fair	
	Ottumwa			Slow		Fair	
	Sioux City			Slow		Fair	
	Waterloo	Good		Slow		Fair	
Kansas	Wichita		Fair			Fair	
Kentucky	Lexington			Slow		Fair	
	Louisville		Fair			Fair	
Louisiana	New Orleans		Fair			Fair	
Maryland	Baltimore		Fair			Fair	

COLLECTIONS

SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Massachusetts	Boston Springfield Worcester		Fair Fair Fair			Fair Fair Fair	
Michigan	Detroit Flint Grand Rapids Jackson Lansing Saginaw		Fair Fair	Slow Slow Slow		Fair Fair	Slow
Minnesota	Duluth Minneapolis St. Paul		Fair Fair Fair			Fair Fair	Slow
Missouri	Kansas City St. Joseph		Fair	Slow		Fair	Slow
Montana	Great Falls Helena			Slow Slow			Slow
Nebraska	Lincoln Omaha		Fair Fair			Fair	Slow
New Jersey	Newark		Fair			Fair	
New York	Albany Buffalo Elmira Rochester Syracuse Utica		Fair Fair Fair	Slow	Good	Fair Fair	
North Carolina	Charlotte		Fair			Fair	
North Dakota	Fargo Grand Forks		Fair	Slow		Fair Fair	
Ohio	Cincinnati Cleveland Columbus Dayton Toledo Youngstown		Fair Fair Fair Fair			Fair	Slow Slow
Oklahoma	Oklahoma City			Slow			Slow
Oregon	Portland		Fair			Fair	
Pennsylvania	Altoona Johnstown Newcastle Philadelphia Reading Scranton Wilkes-Barre		Fair Fair Fair Fair	Slow Slow		Fair Fair Fair Fair	Slow Slow
Rhode Island	Providence		Fair			Fair	
South Dakota	Sioux Falls		Fair				Slow
Tennessee	Bristol Chattanooga Memphis		Fair Fair		Good	Fair	Slow
Texas	Austin Dallas Ft. Worth Houston		Fair Fair Fair Fair	Slow	Good	Fair Fair	Slow
Utah	Salt Lake City			Slow		Fair	
Virginia	Lynchburg Norfolk Richmond Roanoke		Fair Fair	Slow		Fair Fair	Slow

COLLECTIONS

SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Washington	Bellingham		Fair			Fair	
	Seattle		Fair	Slow		Fair	Slow
	Spokane		Fair			Fair	
West Virginia	Tacoma					Fair	
	Bluefield			Slow		Fair	
	Charleston			Slow		Fair	
	Clarksburg		Fair			Fair	Slow
	Parkersburg		Fair	Slow		Fair	
Wisconsin	Wheeling			Slow		Fair	
	Williamson			Slow		Fair	
	Fond du Lac		Fair	Slow		Fair	
	Green Bay		Fair			Fair	Slow
Milwaukee	Milwaukee						
	Oshkosh						

-- COMMENTS ON COLLECTIONS AND SALES CONDITIONS --

COLORADO: No material change has been noted in Collections and Sales in this territory, both being rated as "Fair", although a gradual improvement is expected during the next three months.

CONNECTICUT: Conditions in Connecticut are "Slow" due to brokerage house failures in Hartford, a bank closing in New Britain and the decline in brass and copper in Waterbury. However, we have received a very encouraging report of "Good" covering general business in New Haven.

ILLINOIS: General conditions in most sections of Illinois are "Fair." Galesburg retains last month's standing of "Fair" in both collections and sales, although both seemed to have slowed up since the holiday season. Business in Quincy is very "Slow" because of the recent bank failures.

IOWA: An improvement is noted in Cedar Rapids, the report averaging from "Fair" to "Good". Many banks have failed throughout the trading area of Sioux City which of course makes collections slow and curtails buying.

MASSACHUSETTS: The report from our Secretary in Springfield is very encouraging and reads as follows: "From a canvass and other sources we find a much better tone all around.

Orders and enquiries are on the increase in most lines and wholesalers and manufacturers are fixing May 1931 as the time when the present gradual improvement will have reached a point which will be convincing."

Sales in Boston are reported "Fair" but a slight decrease is noted as compared with last month and same period in 1929.

MICHIGAN: Collections and sales run from "Slow" to "Fair" but this is due largely to the recent holiday season. Department stores in Detroit are said to run as much as 30% below 1929 volume.

MINNESOTA: There is a slight improvement over last month's report and the general outlook is somewhat brighter. St. Paul reports that the year has closed with a majority satisfied that sales have equaled expectations, when taking into consideration the economic conditions. There has been an average drop in sales of from four to ten per cent. behind 1929.

NEBRASKA: Lincoln reports a slight increase within the last 30 days. Retail trade in Omaha is active among merchants

(Cont. on page 47)

CHANGES SINCE LAST MONTH

State	City	Collections	Sales
California	San Diego San Francisco	Fair to Slow	Good to Fair
Connecticut	New Haven Waterbury	Fair to Good Fair to Slow	Fair to Good Fair to Slow
Florida	Tampa	Slow to Fair	
Georgia	Macon	Fair to Slow	
Illinois	Peoria Rockford	Fair to Good Slow to Fair	Slow to Fair
Indiana	Indianapolis South Bend	Slow to Fair	Fair to Slow Slow to Fair
Iowa	Burlington Cedar Rapids Sioux City Waterloo	Fair to Slow Fair to Good Fair to Slow Fair to Good	Fair to Slow Fair to Good Fair to Good
Kentucky	Lexington	Fair to Slow	
Michigan	Detroit Grand Rapids Lansing		Fair to Slow Slow to Fair Fair to Slow
Minnesota	Minneapolis	Slow to Fair	
Missouri	Kansas City	Fair to Slow	
Nebraska	Omaha	Slow to Fair	
New York	Elmira	Fair to Slow	Fair to Good
North Dakota	Fargo		Slow to Fair
Ohio	Dayton		Slow to Fair
Pennsylvania	Reading Scranton	Slow to Fair	Good to Fair
Tennessee	Bristol		Fair to Good
Texas	Austin		Fair to Good
Virginia	Lynchburg	Fair to Slow	
Washington	Seattle	Fair to Slow	
West Virginia	Charleston Wheeling Williamson	Fair to Slow Slow to Fair Fair to Slow	Fair to Slow Slow to Fair Fair to Slow

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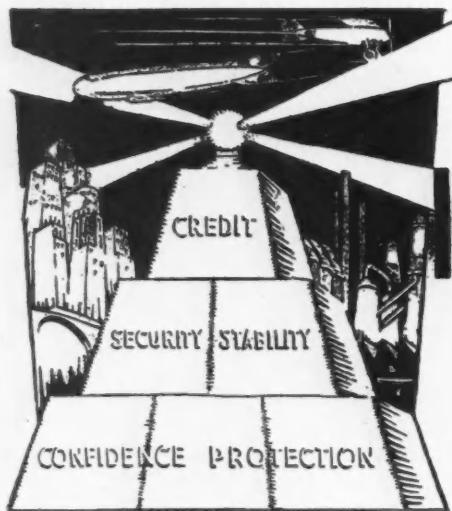
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JANUARY, 1931

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INSURANCE DIGEST

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

About Monthly Income Policies

Life Insurance experts are agreed that the most important development in life insurance during the past twenty-five years has been the innovation of monthly income policies.

The idea was originated by William T. Nash, then an agent, whose experience in the field had convinced him that a monthly income policy would be more efficacious than the lump sum type of policy then universally in force. The essential features of his plan called for the payment of a monthly income either for a stipulated number of years or during the lifetime of the beneficiary. The income was to be non-commutable after the death of the insured and the instalments could not be assigned to another person by the beneficiary.

Mr. Nash found it difficult to sell his idea to insurance companies. Finally a leading insurance company took up the plan and since then its development has been rapid. The idea was further popularized during the war when the government adopted monthly income settlement of policies on men who had been killed or injured in the war.

The Spectator in an article on Monthly Income Insurance says: "It is the mandatory feature and prohibition of assignment, however, which makes Monthly Income the real power it has grown to be. The temptation to waste the proceeds of insurance is eliminated, neither is it possible for the beneficiary to dissipate the funds through unfortunate investments, and the longer these advantages prevail the more they are appreciated, both by the insuring public and by the beneficiaries."

Is Your Rent Income Fully Protected?

How can the owner of property protect himself against loss of rent income in case fire makes his building untenable? The answer given in an article in "Northern Lights" by Robert P. Barbour is: by means of Rent Insurance.

The forms and rates of rent insurance policies vary somewhat. A policy may be written for the amount of the annual rent of the property with one-twelfth recoverable for every month that the property is untenable; or for three-quarters or one-half the annual rent with, in the first case, one-ninth of the amount recoverable each month, and one-sixth in the second case. The annual form is the most desirable as it gives the maximum protection at only a slightly higher cost. The cost of rent insurance is small, averaging about 10 per cent. of the cost of insurance on the structure itself.

Rent insurance protects the income of the following four classes:

The owner who rents to others.

The owner who occupies property himself.

The lessee who sublets a portion of property.

The lessee whose lease does not release him for the obligation to pay rent in case of damage by fire.

The "I" In Credit

In a recent address before the Lynchburg Association of Credit Men, James T. Catlin, Jr., insurance man of Danville, Virginia, stressed the important role which life insurance should play in credit analysis and extension.

"If the statement that 'ninety-seven per cent. of the business of this country is done on credit' be true, then the credit executives in the various lines of business occupy not only a most important place in the business machinery of today, but upon their shoulders rests the grave responsibility of extending credit only to those who are really entitled to it," said Mr. Catlin.

The speaker analyzed the word "CREDIT" and connected a desirable characteristic with each letter of the word. The letter "I" stands for an interest on the part of credit executives in the insurance coverages of applicants for credit. He praised the new Insurance Statement Form developed by the N. A. C. M. as a step in the right direction.

In conclusion Mr. Catlin said: "I would unhesitatingly say that proper fire insurance is the most important factor in the extension of credit and, as credit men, you should give very careful attention to the insurance contracts of your firms' customers."

"In doing this, may I suggest that you hold this insurance mirror up before your own concerns, and see that their insurance requirements are up to the same standard as you want your customers to keep theirs."

Home Ins. Co. Helps Assureds Prepare Loss Inventories

The Home Insurance Company offers a new service to its assureds. By means of an arrangement with the Underwriters Salvage Company, the assured may obtain expert assistance in making loss inventories. News From Home, the company's house organ, gives the following information about the new service:

"An assured of the Home Insurance Company, or one of its agents, may, immediately after a loss has been sustained, call upon the Underwriters Salvage Co. of New York to send representatives to assist the assured in the preparation of a joint inventory. This inventory, when subscribed to by the assured and the representative of the Underwriters Salvage Co., in so far as quantity, measurement, lotting and segregation are concerned, will be accepted by the Home and its allied companies as a guaranteed inventory. The use of this service will tend to eliminate the laborious checking and reinventorying which so frequently delays an adjustment."

"Through its long experience in the preparation of inventories for the insurance companies and their adjusters, the Underwriters Salvage Co. has built up a group of experts who are now placed at the call of our assureds."

"There will be no charge for this service to the assured. It is to be understood, of course, that the pricing and evaluation of an inventory remains the responsibility of the assured and further, in rendering this service the company does not waive violations of policy conditions, nor does it thereby admit liability."

Life Insurance Trusts

Gilbert T. Stephenson, head of the Trust Company Division of the American Bankers Association, commenting on the development of the life insurance trust says:

"The United States is the most heavily insured nation in the world. Ac-

cording to the Association of Life Presidents, \$108,500,000,000 or 70 per cent. of the world's life insurance is owned in the United States, which has only 6 per cent. of the population. Approximately 1,000,000 new life policyholders were added the past year. A leading authority predicts that the total will be increased within the next twenty years to \$400,000,000,000.

"Every thinking man is desirous that this beneficent institution of life insurance shall accomplish what it sets out to do and not in any way be dissipated or wasted. To conserve the estates created by life insurance and to add the personal management factor are functions accomplished by the life insurance trust. Valued service is being rendered by the insurance companies and life underwriters in this great cooperative movement in the interests of the public welfare."

U. S. Chamber of Commerce Looks at Insurance

The importance of insurance to business men in general and to credit executives in particular is forcefully brought out in a speech made by Mr. Ralph S. Child of Bonbright & Co., New York investment house, before the U. S. Chamber of Commerce. Some of the points he made follow:

"Now a word as to the need of greater public understanding about insurance of all kinds, especially the part that it plays in our economic life. It is realized that there is a great deal of publicity about insurance but for the most part it is of the kind the purpose of which is to sell something to the individual, some sort of policy to extend some sort of protection. The National Chamber of Commerce, through its Insurance Section, has worked with local organizations on numberless matters of import to the public. How much does the public know of the extent to which these things affect it?

"Does the public know, for one thing, the vital bearing of insurance upon credit; that the credit structure, as it is known today, and upon which our vast trade and commerce has been built up, could scarcely stand were it not for insurance? One of the foundation stones upon which credit to industry rests is the coverage of mill and factory, machinery and tools and materials and goods against fire loss.

"Does the public realize that to se-

JOHN HANCOCK SERIES

A Partner's Obligations

Each partner owes to his associate the assurance that business can be continued indefinitely, unhampered by lack of working capital or credit. The death of either is a contingency that would bring up this question. At the same time, he owes it to his dependents that, in case of his death, their interest in the business can be liquidated, as required by law, without bother or loss.

Unless the business has a large fund of ready money at that time, these dual obligations conflict. May we tell you how Business Life Insurance can be used in such cases for the benefit of all concerned? Address:

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197 Clarendon St. Boston, Mass.

Please send information regarding partnership life insurance.

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C. M. OVER SIXTY-SEVEN YEARS IN BUSINESS

cure borrowed capital for construction work, from the private dwelling to the mercantile building or the factory plant, assurance must be given that the property pledged as security for the loan is protected by a contract of indemnity against the contingencies of fire and lightning, and oftentimes tornado, earthquake, explosion and other catastrophe as well? The contractor who undertakes the construction work could not do so without hazard of ruin to himself were he not insured against public liability for accidents in the course of the work and for the death of or injury to the workmen in his employ.

"Does the public know of the actual necessity in the carrying on of some of our trade and commerce, of various casualty indemnities, especially in the shipment of costly merchandise as well as money and securities? The business man could not risk his capital either in new or established enterprises with the same confidence and courage if he could not safeguard his family and fortune by life insurance. One of the first questions which the banker asks the applicant for a credit line is "How much insurance have you?" for no matter how much confidence his character and reputation may command, death, injury or disease may instantly destroy his capacity for success, and life, accident or health insurance are the safeguards the banker requires as he foresees this contingency."

Bond Yield Index

(Continued from page 7)

lations as to the future of the currency undoubtedly had an appreciable effect on the movements of bond prices.

The timing of the sequences of economic factors in the business cycle is almost inevitably somewhat erratic. If this were not true, the cyclical movements would probably long ago have been greatly reduced in amplitude, if not entirely eliminated. However, in the absence of a complete understanding of the rationale of cyclical movements, a study of the symptoms as revealed in economic sequences cannot be neglected. To be worthy of much consideration, however, such sequences should be concerned with fundamentally important factors. A fall in bond yields is a more important step in the process of business recovery than a rise in the price of silk.

With a recent interruption, the yields of high-grade bonds have been falling since September 1929. Extremely low short time interest rates, falling commodity prices and depressed general business suggest strongly that the recent advance in the yields of high-grade bonds was merely a interruption of a downward trend whose end is not in sight. Such a downward movement

of bond yields is a usual forerunner of business recovery.

1931

(Continued from page 5)

that enter into the cost of production and distribution. This means the introduction of greater and greater inequality in purchasing power, and in the distribution of wealth. The wheat farmer may be aided more than the cotton farmer; commodity prices may be allowed to follow the law of supply and demand, while wages in many lines may be "pegged." If one factor in cost be fixed, then competition in the other factors will become more violent. High wage cost will be followed by more machinery.

These four corner posts create the square within which men are thinking in 1931. Practically every business problem of today can be reduced to one or more of these fundamentals. We are not so much concerned with the return of prosperity as with the kind of thought that will determine the trend of business during the next decade. At any rate, the world is thinking, and thinking more earnestly than ever before. There is no room for pessimism in a thoughtful nation.

Edward A. Filene

(Continued from page 11)

Look at the ones on your own coat sleeves and see if you can find any reason why they should be there. They are there simply and solely because the knights in the middle ages used to wear lace fol-de-rols hanging down from their sleeves and they had to find a way to fasten them back when they came to the table so they would not dangle in the gravy. We have long ago done away with fol-de-rols but we have kept the buttons as a symbol of our nobility. Tradition is still clinging to such unnecessary symbols as this and cluttering up our production-distribution system with unsound and unnecessary details.

"As regards the second point, one of the great burdens of our distributive system is the too wide variety in styles and prices. Where we have standardization in production in many phases, resulting in almost incredible saving of waste, we have an almost as incredible lack of it in distribution. When Ford and Chevrolet developed their mass production system, they did not go in to produce cars for 'the trade'. They did not go to automobile wholesalers for estimates on what kinds of cars would be likely to please the whims of all sorts of people during the coming season. And the wholesalers did not show a thousand models to the retailers, leaving the retailers to dictate to the manufacturer what particular flare in wheel bases, motors, gears and ignition systems they thought could be sold with the greatest profits to themselves, and then loading themselves with as large a variety of cars as they possibly could, tying up all their capital in the process with the almost certain result that, with the coming of newer styles, a large part of the stock would still be on their hands. If Ford or Chevrolet had done this it might well have pleased certain types of individuals, but under this procedure cars would have cost so much that only a small number of people could have afforded to buy them.

"In making our average purchases, however, we customarily go to little shops which must meet their total expenses out of the few sales they are able to make and which are in no position to buy these things at a reasonable price to start with. This system we think gives us variety, and in a way it does. It gives us such a variety of things in which we have no possible need for

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North Carolina Home Ins. Co.

Detroit Fire & Marine Ins. Co.

Rochester American Insurance Co.

Great American Indemnity Company

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CREDIT MONTHLY

variety that we cannot afford to be distinctive in the things that really count. In a considerably more technical manner, it would be possible to show how variety can be maintained to a sensible point and yet the vast waste that variety is imposing upon our distribution system could be eliminated. I have worked out a thoroughly practical distribution idea to meet these difficulties. It is known as the Edward A. Filene Model Stock Plan."

I next asked Mr. Filene to tell me briefly about the "Filene Model Stock Plan." He explained that to give a thorough description of this plan would require an article in itself. And, in fact Mr. Filene has recently published a whole book on this subject. After talking with Mr. Filene to some extent on the Model Stock Plan and after reading material which he has already prepared, I have arranged to make available to CREDIT MONTHLY readers, a detailed description of the Model Stock Plan for personal use. Any reader of this article may write in to the Editor of CREDIT MONTHLY and this material will be sent. To give you an introduction to the Model Stock Plan idea, I might repeat a few of the things Mr. Filene had to say:

"The Model Stock Plan is a whole process of planning and control throughout a business. It is essentially a means of strengthening your business and increasing its total profits by helping you apply to your own problems the principles that have made Chevrolet, Ford and Woolworth so outstandingly successful.

"The principles of this plan are basic. They apply to all lines of business. They apply whether a business sells high priced or low priced goods. They apply to large retailers and small retailers, to wholesalers, manufacturers, department stores or chains. No matter what your line of business, you can increase your volume of sales and greatly increase your total profits by using the Model Stock Plan principles and methods throughout.

"The fundamental problem of distribution as I see it is to have the right goods, in quantities neither too great nor too small, at the times when they will be desired most and at the prices at which they will sell best. To meet these requirements, the Model Stock Plan has been developed."

The interview with Mr. Filene brought out enough rich and pertinent subject matter to write an interview twice this long. He told how such advanced methods and principles as "re-

searching research" were being introduced and should be applied to all lines of business. He justified the process of mass production and standardization which is beginning to dominate successful industry, and very logically showed how it was not mechanizing the human race and standardizing the individual as many people claim it is doing. He pointed out such fundamental facts as that the mass man's income, averaging less than \$1500, is now mortgaged 25 per cent for rent and 40 per cent for food, leaving only 35 per cent free for all the other things man needs or reasonably wants. He emphasized the fact that rent is taking far too large a share of the consumer's dollar and that as long as such a situation exists, the salvation of the country as far as permanent prosperity is concerned must depend upon methods of production and distribution that will place a majority of commodities in the category of Fords, Chevrolets and Woolworth's goods.

Edward A. Filene's record proves him to be one of the greatest enemies of traditional thinking this country has ever had; his insistence on the principles of "researching research" classifies him as one of our foremost business thinkers, and his policy of "enlightened selfish-

ness" characterizes him as one of our outstanding exponents of frankness in business relationships.

Foreign Traders to Meet in New York

FOR the first time since its foundation in 1914, the National Foreign Trade Council will hold its annual convention of American foreign traders next year in New York City. The dates are May 27, 28 and 29, 1931 and the meeting will be the Eighteenth National Foreign Trade Convention.

The invitation to meet in New York was sponsored by the Merchants Association, the Chamber of Commerce of the State of New York and by other industrial and trade associations in New York. Arrangements are being made for the attendance of more than 3,000 delegates, the largest meeting for which the Council has ever planned.

Headquarters of the Convention will be at the Hotel Commodore and delegates from more than 40 of the 48 states are anticipated, with representation from all lines of industry, and from banks, railroads, steamship companies and other foreign traders throughout the United States.

Nationalize Your Credits

Can You Watch Your Customers' Accounts

You can check upon your customers' affairs fairly closely, but what possible chance have you of checking upon your customers' customers?

In these days of extremely keen competition with the consequent narrow margin of profit, it is not at all unusual for an apparently solid high grade account to collapse for reasons far beyond its control.

There is only one way that you can guard against such a catastrophe. A *National Policy of Credit Insurance* is an absolute guarantee by the World's Largest Surety Company to prevent, else pay, credit losses.

National Surety Company

W. L. Clemens, Vice-President

115 Broadway, New York

Agencies in All Principal Cities

Speed Up Sales

(Continued from page 15)

In two months' time 500 new accounts were added to the company's books as a result of this contest. Each account was a good risk. A new account was estimated to give an average initial order of between \$30 to \$40. According to sales records an average account purchased between \$200 to \$300 a year. A reasonable expectation would be that these new accounts would mean an additional business of approximately \$100,000. The expense of the contest complete was less than \$1000 with the direct additional cost in securing these accounts less than one per cent.

The filing of an information slip with each new account greatly facilitated the work of the credit department. It contained the entire information about the account; its classification, the rating, references, number of points claimed, date and salesman's name.

It was the idea of the sales manager to give half the prize to the salesmen's wives. He argued that if the wives knew they were going to share in the contest they would urge their husbands to greater efforts. The plan worked.

The winner of the contest gathered in 2405 points for a prize of \$195.25, well worth the effort. Over thirty men won prizes.

Every Account Good

In checking this contest with previous ones it is obvious that the number of new accounts fell way below those previously turned in but every account in this contest was a good one, the sort of accounts any firm welcomes on its books. The salesmen did not waste any time in retail stores selling merchandise which ultimately is not shipped or if shipped is not paid for.

As a result of this contest Hewes & Potter plan their present sales contests with the credit department angle foremost in mind. Poor risks are gradually being eliminated and bad accounts are no longer nightmares to the credit department. Each year the sales force is provided with a new up-to-date copy of Dun's covering the territory in which they operate and this policy will continue in force for sometime to come. It proves conclusively that the credit department is an asset even in the planning and execution of sales contests.



ANSWERS TO CREDIT QUESTIONS

Conducted by Walter C. Foster

Landlord's Rights in Pennsylvania

Q. What are the rights of a landlord in Pennsylvania as against merchandise held on a conditional sale contract or consignment by the tenant?

A. As we understand the laws of Pennsylvania, a landlord has a lien for unpaid rent which can be enforced against any property on the leased premises, even though the title to the property be retained by the seller in a properly filed contract of conditional sale. The landlord's right to seize the property, however, is dependent upon a default by the tenant in the payment of the rent. In the absence of such default, a landlord, as we understand the law, would have no right to interfere with the removal of the property by a conditional vendor or a consigner.

Garnishment of Wages

Q. Can the wages of a mechanic employed in a city in Pennsylvania be garnished under the laws of the state?

A. Wages are not subject to garnishment under the laws of Pennsylvania. The retail organizations have been making a determined effort for the last two or three sessions of the legislature to get some legislation on the subject, but so far they have been unsuccessful.

Mechanics' Lien Law—District of Columbia

Q. Under heading of Mechanics Lien for District of Columbia in the Credit Manual with Diary, item No. 1, the following appears: "WHO MAY CLAIM—contractor for work or materials, sub-contractor or laborer directly employed by contractor." Is this to be interpreted that anyone further removed from the owner than a sub-contractor has no right of lien? For example, a material man who has supplied material for a building through a sub-contractor.

A. The statute referred to does not protect a person in the position mentioned.

Conditional Sales

Q. Would it be necessary for a Pennsylvania corporation with an order for equipment to be sold in New York State on the payment plan to handle this on a Chattel Mortgage? If so, would the Pennsylvania corporation require a landlord's release against unpaid rent, and would it have any legal standing in the event of desiring to repossess the property on account of not having taken out a license to sell in New York State?

A. Contracts of conditional sale are commonly used in the State of New York and are generally regarded as preferable to chattel mort-

As to Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

gates. The Uniform Conditional Sales Act has been enacted in New York, and a duly filed contract of conditional sale is valid for a period of three years without renewal. At the expiration of that time it may be renewed for further periods of one year at a time, by refiling at the expiration of each year.

There is no landlord's lien in New York State, and it is not necessary to obtain any release from a landlord. If a contract of conditional sale is entered into in the State of Pennsylvania, the fact that the goods are delivered in New York, and title is retained in New York under the terms of the contract of conditional sales does not render the foreign corporation, the seller, subject to the provisions of the foreign corporation statute, which apply only to contracts made in the State of New York. It is not necessary, therefore, for the foreign corporation to become licensed in this State in order to sell here on conditional sale, providing the contract is not made in the State of New York.

Promissory Notes

Q. Where payment of an account has been accepted by the taking of several notes, and the first three are returned unpaid, can the balance of the notes be returned as being unsatisfactory? In some cases a series of notes carry the phrase "if one is not paid, all the notes become due and payable." If this provision was not placed on the notes at the time of signature, can they now be returned as stated and suit instituted before they actually mature?

A. Where a number of promissory notes are accepted in payment of an account and the notes are not made in series, and do not provide that in case of the failure of the maker to pay any previous note in the series the balance should become due and payable, each instrument is separate and distinct and no action can be commenced on any note until it actually becomes due, according to its terms.

Leasehold Insurance

(Continued from page 20)

seven months. Turning to the table, which is on the back of each leasehold policy form, we find that the figure by which sixty-seven months should be multiplied is 56.94 which produces an amount of \$2,847. Now the policy is for three years and six months, or forty-two months, which, when subtracted from sixty-seven months, the term of the lease, leaves twenty-five months which represents the amount of leasehold value which still would be unexpired *after* three years and six months. So we multiply twenty-five months by the given figure on the table, which is 23.47, and this gives \$1,173.50. As the picture now stands, the amount of \$2,847.00 is the *full value of the lease* and the amount of \$1,173.50 is the *remaining value at the end of the policy term*. Adding these two amounts together and dividing by two we get the average amount at risk during the term of the policy, or \$2,010.25. The rate is applied to this amount.

This looks complicated, but it is really a simple process and if we had used the actual rental amounts instead of the discounted amounts, the insurable average could have been reached quicker but it is not fair to write up a leasehold policy for the round figure, as I will explain.

Should the lessee have a loss after taking out the policy and he collected the amount of leasehold profit insured he would be receiving in a lump sum an amount far greater than would have developed had there been no fire and he had collected the \$50.00 each month. Therefore, discount tables are provided so that the lessee will be paid only what the \$50.00 collected monthly, would amount to in a given number of months compounded semi-annually at 6%. On the back of every leasehold policy this table is stipulated and inasmuch as the assured can collect only on the basis of such a table, therefore, his policy should be written on such a plan, otherwise he will be paying for an average amount of insurance based on figures higher than those for which he could collect. Of course, if the policy paid him \$50.00 a month for the balance of the term of the lease and a check was sent to him for \$50.00 each month the discount tables would be unnecessary, but fire insurance losses are adjusted in a lump sum and if the lessee were paid the gross rent due following a fire he would be collecting a profit sooner than

he would if there had been no fire. That would not be sound insurance, for the purpose of insurance is to reimburse a man as if there had been no fire—not to permit him a profit.

The rate is usually the building fire rate and the *average leasehold sum* arrived at as explained is multiplied by the building rate for a one year policy, and for a three year policy two and one-half times the building rate, and for a five year policy four times the building rate. For the additional six months a pro rata additional charge is made. In the above example matters would have been simplified if we wrote the policy for the full term of the lease of five years and seven months, but the assured wanted a three years and six months contract. In other cases he might want a one year policy, or an even three year policy. No matter what the term, the sum to which the rate is applied, the average leasehold interest, is arrived at by taking the discounted leasehold value on the first month and adding to it the discounted value on the last month of the *policy term*, and then dividing by two. The amount collectible under the policy is

the full value of the unexpired term of the lease, less discount, at the time of the fire. In other words your premium charge is based on an *average* liability but you collect the amount due less discount to allow for the fact that the monthly rental is spread out over several years.

In some sections the discount table is governed by 6 per cent. semi-annually compound interest and in others 4 per cent. In the example given a leasehold profit of \$50.00 a month was used, but in other cases it might be "leasehold interest."

To determine such leasehold interest it would be necessary for a reliable real estate man, or appraiser, to determine how much more a lessee would have to pay for his rent without a lease than he does under a long term lease. For instance, he might be renting quarters for \$1,000.00 a month under a twenty year lease. If he were renting them without a lease, the same quarters might cost him \$1,200.00 a month. Then he would have a leasehold interest of \$200.00 a month to insure. Most leasehold policies are written to cover either

(Continued on page 43)



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Labor, Politics and Economics

LABOR AND INTERNATIONALISM. Lewis L. Lorwin. The Macmillan Co., N. Y. 1929. 682 pp. \$3.00.

Writing under the name of Louis Levine, Dr. Lorwin produced three important volumes,—“Syndicalism in France,” “Mine Taxation in Montana,” and “The Women Garment Workers.” In the present work, published by Macmillan for the Institute of Economics of the Brookings Institution, he offers under his own name a thorough-going analysis of the radical, reconstructive and revolutionary movements which have the entire world for their stage and a unified world society as their goal.

Dr. Lorwin deals with not only the Third or “Red” International, but also with all the other internationals, showing how they originated, what they are now attempting, how strong they are in the various countries of the world, and how they are likely to evolve in the next few decades.

Revolutionary minorities, says Dr. Lorwin, cannot make revolutions at will. Revolutions, like wars, are caused by changes in the relative power of economic groups, social classes, and countries. These necessitate some change in the political and economic institutions of a country, or in the map of the world, or in the allotment of world resources, and it is the incapacity to make these readjustments peacefully and rationally that results in wars and revolutions which give the professional or idealistic revolutionists their chance.

Once a country is caught in a revolutionary upheaval, it becomes vitally interested in extending the area of revolution,—in internationalizing it,—and supplies a stimulus for the promotion of revolutionary organizations. It is for this reason that the international labor movement, though inherently tending to resist revolution, must continue to carry a challenge to society which may threaten to break out in violent form, as long as no means are devised for directing revolutionary energies into channels of social and national reconstruction.

The Third International is building up the idea of a “socialist fatherland.” This idea is likely, in Dr. Lorwin’s opinion, to provoke a deep rift in all labor movements in case of war. But while such divisions would make labor impotent to prevent war, they would also make it more difficult for governments to control all the forces of labor and to counteract those elements which would swing over to the idea of revolution, if war broke out.

Herein, Dr. Lorwin concludes, lies the

THIS MONTH'S BUSINESS BOOK

CREDIT AND ITS MANAGEMENT. J. H. Tregoe. Harper & Brothers, N. Y. 1930. 196 pp. \$3.00.

If the words “who needs no introduction” were ever appropriate, they certainly are in announcing to members of the National Association of Credit Men and other readers of the Credit Monthly a book by the Association’s former President and Executive Manager, J. Harry Tregoe.

This book reflects, most pleasantly, all three periods of Mr. Tregoe’s career,—his experience at the credit desk, his long and active service with the National Association of Credit Men, and his sojourn in academic halls as Professor of Finance in the University of Southern California.

Meeting the practical every-day problems of the credit manager, he built a sound and substantial groundwork of credit technique. Coming to the Association, first as President and later as Executive Manager, he found a wider field in which organization, public relations and professional ethics loomed large. His work at Southern California extended and rounded out the program of his earlier years, for he was essentially a teacher from the start.

His book will be welcomed, not only because it carries his life message in permanent form to his many friends, but also because it gives expression to the canons and principles which have made the credit chemistry of the United States different from that of all the other nations of the world.

As Mr. Tregoe says frankly in his Preface, the book is not offered as an elementary treatise on credit. While the routine subjects—credit department organization, sources of credit information, correspondence, interchange and adjustments—are amply covered, the real significance of the book lies in such chapters as “The Historic Background of Credit,” “The Chemistry of Credit” and “Business Service.”

In these chapters Mr. Tregoe has presented a point of view on credit that could have come from no other authority. No one is more familiar than he with the development of a credit technique in the United States,—its early beginnings, its successful struggle to substitute co-operation for competition among credit managers, its splendid crusade against the credit crook, and its development of the business service idea, in which, perhaps, lies the possibility of greater good to business than anything yet accomplished by the organized credit forces of the country.

“Credit and Its Management” should receive a warm reception, not only from Mr. Tregoe’s friends, but from all who are interested in sound credits, and that includes virtually everyone who holds a position of responsibility in watched and guarded as we work our way out the business world.

warning of the past to the future. From the point of view of labor, as well as for the welfare of the world, the most important function of all international labor organizations becomes that of eliminating the probability of future wars. But to do that, these organizations must press their demands for economic justice at home and abroad, for fair play in the use of the economic resources of the world and for the development of methods by which the relative claims and rights of nations and classes may be amicably adjusted. They must serve as guardians of the international machinery which now exists and as missionaries for promoting new and more effective instruments of international cooperation. Along these lines lies the chance of workers’ internationalism for greater unity in its own ranks and for leadership in the movement toward a Great World Society.

International Economics

THE WORLD'S ECONOMIC DILEMMA. Ernest Minor Patterson. McGraw-Hill Book Co., N. Y. 1930. 317 pp. \$3.50.

Historians, journalists and political scientists have all had their say about post-war changes throughout the world. A few economists have also tackled the job, but their treatment has been too narrow and technical to be of widespread use. Now that our colleges and universities are asking professors of economics to give courses bearing on international questions, it is fortunate that Professor Patterson of the University of Pennsylvania has stepped into the breach with a text that is exactly what the doctor ordered.

This book has pay ore for the general reader as well as for the college student. The economic dilemma is clearly stated in the opening chapter. It arises from the fact of economic interdependence. Every part of the world now depends on every other part, and complete co-operation in carrying on business is both desirable and necessary. Yet numerous obstacles exist. Each nation must perform economic functions that place it in opposition to other states. The free movement of people and of goods so necessary to economic welfare is thus checked and a dilemma is created from which it is not easy to extricate ourselves.

After his introductory chapter, Professor Patterson takes up the varied economic factors in the present world situation. He discusses the pressure of population; the effects of climate and natural resources; the influence of large-scale production; the gold standard and price economy; markets, corporate growth and investments; and the economic activities of governments.

Special chapters are devoted to developments in Great Britain, Germany, France, Italy, Japan and the United States. The final chapter deals with "Solving the Dilemma" and readers of this review who do not feel impelled to go through the entire book are strongly urged to read at least this incisive chapter. While Professor Patterson admits that the difficulties of solution are greater than is generally realized, he believes that distinct and valuable gains have been made.

The time has come, he asserts, for the expert in social science to take a hand, and as a matter of fact he is already at work in many directions. Old political behavior is rapidly being modified, and a new type of diplomacy is gradually being evolved. Business men and bankers of widely separated countries are learning how to work together—not merely for sentimental reasons but also for mutual gain.

Professor Patterson reports specific progress in four directions—through commercial treaties; through international co-operation by means of trusts and cartels; through the International Chamber of Commerce; and through the League of Nations. In these ways, and others, the world is working its way out of a dilemma that might easily become an *impasse*. Although the gains are at times slow, there is ample reason for believing that progress is really being made.

Leasehold Insurance

(Continued from page 41)

leasehold interest or actual leasehold profit, the result of sub-leasing. It is also possible to insure leasehold bonuses where the lessee sells his lease to someone else for a bonus. Regardless of whether it is actual profit, or leasehold interest, or a bonus, the amount to be insured is figured in the same way as quoted.

Unless the fire clause in the lease is favorable it is impossible to get underwriters to consider such insurance. Usually at least 75 per cent. damage to the building before a lease can be cancelled is required as a lease condition before an underwriter will approve the insurance. In many leases there must be a total loss before the lessor can cancel. In other leases a 50 per cent. or 25 per cent. damage is sufficient and such lines are usually declined. The fire clause of the lease is copied and made a part of the policy.

Where Statistics Fail

(Continued from page 23)

supply and demand—therefore, is the key to the forecast of stock market movements. The determination of the attitude which large capitalistic and corporate interests—the mysterious "they" so often spoken of in brokerage house circles—are likely to assume toward particular securities and their willingness to encourage or their inclination to discourage attempts to manipulate prices is the ultimate goal of all

studies undertaken by the stock market analyst. "If business is going to be poor," he reasons, "corporate earnings will decline and 'insiders' will be sellers of stocks. Consequently, prices will decline." "If business is going to improve and corporate profits are to increase, certain securities will be singled out for attention by those who are in a position to know what really is going on behind the scenes, and these issues are likely to advance most rapidly." Balance sheets are analyzed and field surveys are made in an attempt to gain an insight into matters concerning which there can be complete knowledge only on the part of those who direct and control the affairs of the corporations concerned.

Some persons attack this problem of accumulation and distribution by studying the movements of stock prices themselves, and, in this manner, aim to discover the "technical position" of the market. These studies are made entirely independent of what "statistics" may show. Lifetimes of study have been spent by those who have become interested in the question of determining technical positions. This work is of varying types, some of it verging on "crystal-gazing." Complicated "systems" of chart reading have been developed. Some persons have experienced a measure of success in what they have tried to do; that is, some individuals have made money as a result of such work, but luck has played its part too. Countless fortunes have been lost by individuals who have staked their all on some fancied indication of "inside" buying or large-scale distribution.

One thing with reference to the subject is clear. Few persons who approach the problem of technical position and market action analysis do so with the right attitude of mind. Most of them are looking for some magical formula of predicated price movements. Those few individuals who have attained any degree of consistent success have approached the matter from the standpoint of scientific research in the matter of price movements to the end that certain precedents may be discovered. The problem involves something more than "double-tops" and "triple-bottoms" regardless of what the garden variety of brokerage house habitués believe.

As soon as one undertakes to determine what is going on in the affairs of particular companies he is confronted with the mass of gossip and rumors which flies about in market circles and crowds the columns of the press. In

At last—J. H. Tregoe writes on credit!

CREDIT AND ITS MANAGEMENT

By J. H. Tregoe

Former Ex. Dir., Nat'l Ass'n of Credit Men

A clear, readable, exhaustive volume on every phase of credit department management, growing out of the author's long experience. Analyzes nature and use of credit, proper organization, personnel, use of mercantile agency reports, credit correspondence, legal aspects. It will help you save money and build business with credit. Dr. Frank A. Fall says: "Carries his life message in permanent form. Could have come from no other authority." For FREE examination, use the coupon. Price \$3.00.

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his "analyses" the average person rarely gets beyond the things he reads in the newspapers: summarized financial statements, discussions concerning the probable earnings of particular companies, rumors of mergers and consolidations, expansion projects, stock dividends and split-ups. Sometimes prominent corporate officials and directors issue "statements" concerning the outlook for their company. These statements are ordinarily highly optimistic.

At sometime in its history practically every important corporation has reduced or entirely suspended dividend payments. At first thought one would conclude that the necessity for such action must have taken the directors and officials of the companies themselves completely by surprise because their published statements made no mention of the possibility of such an unhappy occurrence. On reflection, however, it is obvious that such cannot be the case, and it is not difficult to understand why this condition exists. The persons who are interviewed own large lines of securities, and it is to their personal interest to refrain from saying anything which would tend to lessen the value of their holdings. When one realizes the ramifications of the interests of an important banker or corporate executive

it is apparent that he hardly dares preach anything but continued optimism.

Conservative advisors often have pointed out the inadvisability of listening to the gossip current in brokerage circles or swallowing word for word the optimistic statements contained in newspapers and periodicals. Anyone who has followed the market over a long period of years knows that it is very costly to believe all that one reads. This point may be illustrated perfectly by referring to the case of a stock which has declined precipitantly from its 1930 high—Warner Brothers Pictures. Earlier in 1930 the stock enjoyed a sensational advance. At that time the press was filled with optimis-

tic statements as to the future prospects of the company. Subsequently it became evident that the concern was having difficulties and that earnings for the year might not come up to earlier expectations. However, the newspapers covered the situation in some detail, pointing out that theatre attendance commonly declined in the summer, etc. During this period the action of the stock indicated that large holdings were being liquidated and the issue gradually sank to lower levels. Somewhat later a bearish statement was published and the dividend was passed. The stock is now quoted at a fraction of the price which prevailed previously when we were being assured in glowing terms of the company's brilliant prospects.

The Turn Of The Decade

JANUARY, 1931, marks the beginning of a new decade.

The span of years from 1921 to 1930 will live long in the memories of American business men . . . a decade marked by waves of depression and prosperity which attained extreme depths and unusual heights.

As the decade turns, the Irving Trust Company completes four score years of banking service. From a modest beginning it has grown in size and usefulness, until today it walks hand in hand with the nation's business even when that business goes around the world.

THE NEW DECADE will bring new problems . . . new demands . . . new standards of service. As it unfolds, the Irving, continuing its present policy, will endeavor to solve the problems, anticipate the demands and set new standards of banking service for American business men in their dealings with the business men of foreign lands as well as with one another in this country.

IRVING TRUST COMPANY
Out-of-Town Office—Woolworth Building
New York

The writer does not chronicle this example to point out the faults of anyone who may have commented upon the Warner Brothers situation, nor does he mean to imply that the newspapers which published the misleading statements had any ulterior motives in doing so. Without doubt the individuals who wrote the articles referred to were misinformed, it having been impossible for them to learn the real facts of the situation. The sole purpose in referring to this instance is to illustrate the point that it is extremely unwise to base market commitments on what one hears and reads. The people who write for general circulation experience the greatest difficulty in getting facts; on the other hand, the persons who possess information of importance ordinarily do not release it until they have taken care of their own position in the market. Moreover, the Warner Brothers Pictures happening is not an isolated case.

The person who is interested in reading some comments on the general situation by prominent capitalists and industrialists will be interested in reviewing the annual "Survey and Forecast" numbers of the leading newspapers which appeared at the beginning of 1929 and 1930. The early 1929 pronouncements of practically all of these persons disclose no fears of the business decline and the stock market collapse which were witnessed in the fourth quarter of the year. The 1930 utterances of the same persons show that they did not foresee the extent nor duration of the decline in either business or stocks. It should not require long for anyone to prove to himself the inadvisability of acting on the basis of "advice" distributed on a wholesale or "land office" basis.

It is not the purpose of this article to outline in detail what should be done to overcome the "shortcomings" of statistics. An attempt has been made to show that the "failures" of statistics really are primarily a result of the shortcomings of statisticians and statistical methods. Some persons try to use statistics to accomplish results which are impossible of attainment. Many persons do not use statistics properly and are unable to take advantage of the results which may be attained through the application of the proper statistical methods. Of course, it is not difficult to draw the conclusion that the task of forecasting business and stock market trends is one requiring the attention of trained experts and specialists.

CREDIT MONTHLY

A Devout Bankrupt

J. H. McCALLUM, Secretary-Manager of the Chattanooga Association of Credit Men, sends CREDIT MONTHLY the following news item from Jackson, Mississippi:

"A. Nicholas, bankrupt merchant of Yazoo City, whose alleged hiding of assets from creditors was revealed as he kneeled in church, was sentenced today to serve three years in the federal penitentiary at Atlanta.

"When Nicholas kneeled in church his coat tail caught on a pew and one of his creditors saw his money belt. Police, who searched the merchant, said they found \$14,000 in \$10 and \$20 bills."

When A Hindu Buys an Automobile

(Continued from page 31)

is adopted whenever the company knows that the party in default will offer resistance by force or try to get away in the manner described above.

A case of seizure that occurred in Calcutta in connection with a European purchaser is of interest, this time a private automobile. The company's representative went to see the defaulting party in his office. The latter's wife was there and as she had no driver, the representative offered to drop her at her destination in the car. The offer was readily accepted, and the lady was driven in her husband's car to the company's garage, where the car was promptly locked up and seized, while she was driven back in the company's car!

Companies working the easy payment system in India have no difficulty in disposing of seized cars either direct to the public or through brokers. Now and again, they are badly taken in by Indians out to defraud them. An instance of this nature is of interest. An Indian dealer in cars in Madras dressed up a coolie in the attire of a Rajah and brought him to the company's office, stating that he wanted to buy a car for Rupees 24,000; the customer was prepared to put down Rs. 8000, which he would pay "in a day or two" and signed a promissory note for the balance on the spot. The dealer was paid his account. The car was driven in Madras for a week or so, and then disappeared. No deposit payment was forthcoming "in a day or two".

When the matter was mentioned to

the dealer, he disclaimed all knowledge, said he was sorry about what happened, but blamed the company for not checking up the man's statements and standing. Eventually the car was recovered with the aid of the police, but no trace was found of the "Rajah".

Indians are very clever at dodges, and it is practically impossible to check up a man's standing thoroughly, as he seldom has a banking account, and if one asks him for references, he will not understand what one means. Thus, the difficulties of the easy-payment system are much more numerous and much greater than in

Western countries, many of the deals being a gamble. It does not pay in India to take matters to court, which is a slow and expensive procedure. The course followed is to keep in constant touch with the customer, help him wherever possible, assist him when he gets into trouble with the police or authorities, give advice as to upkeep of the car, type of equipment most suitable for his purpose, what repairs to have made, and how to run his service (in the case of busses) on a sound financial basis, charging proper fares, for the Indian is apt to cut them regardless of whether he is making a profit or not.

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A large Canned Food Packer says: "We trust that our relations will continue as pleasant in the years to come as they have during the past twenty odd years."

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One Month's Convictions

Fraud Prevention Department of the National Association of Credit Men

OCTOBER, 1930

CASE	INDIVIDUAL	CHARGE	SENTENCE
Samuel Reich, 916 State St., New Haven, Conn. (Groceries)	Samuel Reich	Issuance of a fraudulent financial statement	Fined \$100 and jail sentence suspended
Beacon Lamps, Inc., 18 W. 18th St., New York City, N. Y. (Mfr. Floor Lamps & Art Furniture)	Joseph Warner John H. Newman	Conspiracy and falsification of records Concealment of assets	Suspended sentence 6 months
Abraham A. Wiener, 455 Seventh Ave., New York City, N. Y. (Silks)	Abraham A. Wiener	Issuance of a fraudulent financial statement	Suspended sentence
Manhattan Upholstering Company, Inc., 43 W. 13th St., New York City, N. Y. (Mfr. of Furniture)	Samuel Skolnik	Issuance of a fraudulent financial statement	3 months
A. Gurian & Sons, 584 Kings Highway, Brooklyn, N. Y. (Radios)	Jere Gurian	Issuance of a fraudulent financial statement	Suspended sentence
Pate & Hyman, 260 W. 36th St., New York City, N. Y. (Mfrs. Cloaks & Suits)	Morris Hyman	Issuance of a fraudulent financial statement	Suspended sentence
Union Parlor Suite Co., 780 Madison Ave., Brooklyn, N. Y. (Upholstery Goods)	Harry A. Rosenblum Isaac Lipkowitz	Concealment of assets Concealment of assets	1 year and 1 day 3 months
The Fashion Shop, Snow Hill, N. C.	Paul Solomon	Use of mails to defraud	Placed on probation for 3 years
Kunner Department Store, Valdosta, Ga. (Dry Goods)	Jake Schneider Elias Kunnes Dave Minson J. Kohn	Conspiracy to conceal assets Conspiracy to conceal assets Conspiracy to conceal assets Concealment of assets	18 months in Atlanta Penitentiary 18 months in Atlanta Penitentiary 1 year and 1 day in Atlanta Penitentiary 2 years in Atlanta Penitentiary
J. Kohn, tdg. as Kohn's Department Store, Albemarle, N. C. (Department Store)	Harry B. Weisberger	Concealment of assets	Sentence deferred
Harry B. Weisberger, tdg. as The Hub Bootery, 27 E. Main St., Plymouth, Pa. (Shoes)	William Dorfman	Concealment of assets	Suspended sentence of 3 months
William Dorfman, 116 W. Market St., Scranton, Pa. (Shoes)	W. H. Fowler	Violation Postal Laws	1 year probation
W. H. Fowler, d.b.a., Bungalow Music Co., Taylorville, Ill.	Sam Epstein	Concealment of assets	1 day in the custody of the Marshall
Sam Epstein, Kansas City, Mo. (Shoes)	David G. Chatham	Violation Postal Laws	6 months County Jail and 5 years suspended sentence
Chatham Sales Store, Rayville, La. (Gen'l Mdse.)	M. B. Fisher	Violation Postal Laws	4 months House of Correction (suspended)
M. B. Fisher, Royal Oak and Detroit, Michigan. (Shoes)	Nathan M. Stone Lee H. Adler Sam Schoenberg M. E. Wells	Concealment of assets Concealment of assets Concealment of assets Violation Postal Laws	100.00 Fine 100.00 Fine 100.00 Fine 1 years and 1 day (suspended)
Leo H. Adler, Chicago, Ill. (Art Supplies)	Edward Hipkiss Adolph J. Geoffrion Wm. H. Colvin, Jr.	Forgery Forgery Forgery	5 years Ohio State Penitentiary 1 year probation 1 years Ohio State Penitentiary
Hayes Decorating Co., Mobile, Ala.	Alfred R. Thompson	Concealment of assets	6 months County Jail at Toledo
Edward Hipkiss, d.b.a., Hipkiss Furniture Co., Toledo, Ohio.	Chas. O. Dickey	Violation Postal Laws	Deferred
Alfred R. Thompson, Detroit, Mich. (Hardware)	R. E. Cheshire	Violation Postal Laws	15 months Federal Penitentiary
Dickey Bros., Warsaw, Ind. (Dry Goods)	Gust Zakis	False Oath	Deferred
R. E. Cheshire, d.b.a., Southern Garment Co., Phoenix City, Ala. (Clothing)	O. H. Ramseger	Concealment of assets	1 year and 1 day Leavenworth Penitentiary. Probation 2 years
Gust Zakis, Bismarck, No. Dak. (Restaurant)	Herman Rosenthal, alias Hyman Rosenthal	False financial Statement	Fined \$25 and costs
O. H. Ramseger, d.b.a., Central Marketing Co., Cape Girardeau, Mo. (Meats & Groceries)			
Sanitary Fruit Market, Denver, Colo. (Produce & Fruits)			

Total of 1026 Convictions from June 1, 1925 to October 31, 1930.

Collections and Sales

(Continued from page 34)

who have adjusted their inventories to the new price levels. Business remains spotty with some firms reporting larger sales and profits than a year ago. With the banks of Omaha and Lincoln in a sound condition, fundamental conditions for this district appear very good as business enters the new year.

TEXAS: Fort Worth reports collections "Fair", on a par with October 1930. Failures were below anticipations both in numbers and amounts involved. Christmas buying in some commodities was brisk, most purchases being confined to necessities or merchandise that could be used to best advantage after the Christmas season had passed.

WASHINGTON: Seattle reports Collections and Sales as "Slow". Wholesale and retail business has fallen off considerably, although it is understood that business conditions in Seattle are better than in any other jobbing center on the Pacific Coast.

WEST VIRGINIA: Chemical plants in Charleston are either shutting down part time or working hours are being cut. There has been no decided change in collections and sales during the past month, sales remaining "Fair" and collections in most cases "Slow". It appears that there are more checks than usual being returned because of insufficient funds.

Addresses Wanted

ABRAMOVITZ, ADOLPH, Oppenheims, Jackson, Michigan.
BAKALAR, S. S., formerly druggist, at 1654 Park Avenue, New York City.
BELL, NORMAN H., Glasgow Bros., Jackson, Michigan.
BERGER, MAX, SCHWARTZ, EDWARD, tdg. at Berger and Schwartz, Inc., 267 Ely Avenue, L. I. City, N. Y.
BODINE, EDWARD J., formerly doing business as George C. Gohns & Company, 162 Chambers Street, New York City.
CANTZ, LOUIS, operated under the title, Cantz-Bel-Mansfield Phcy., 5225 Belmont Avenue, Chicago.
CAPLAN, HENRY, formerly of the Caplan Mfg. Company, 2316-44th Rd., Long Island City, and 561 Cauldwell Avenue, Bronx, N. Y.
CARLSON, C. C., Real Estate operator, formerly with the St. Joseph Development Co., Jackson, Michigan. Last known address, 307 Union Bank Bldg., Davenport, Iowa.
COERS, JAMES W., formerly resided at Waldron, Indiana.
COHEN, JACOB, formerly of Jacob Cohen Garment Co., 99 Greene Street, New York City.
COHEN, TOBIAS, formerly with the Ocean Textile Mills, 355 7th Ave., New York City, and formerly Member of the Hudson Lace Co.
COUGHLIN, BERNARD, formerly proprietor of the North Shore Glass Company, doing business up to November 1, 1930 at Waukegan, Ill.
CRAFT, C. H., Excavating Company, 119 N. Jackson Street, Jackson, Mich.
CROWLEY, HARRY E. and VENA, Carpenter, Vandalco Lake, Michigan.
CUTHBERG, M. L. (Mrs.) 1529 Sedgwick Street, Chicago.
DANIELSON, JOHN L. and BELANGER, CHAS., formerly doing business as Bismarck Auto Top and Body Works, 210 Fifth Street, Bismarck, N. D.
DAVIDSON, SAM, Hobbs, N. M.
ELLIS, A. J., formerly with the Parkway Frocks, Inc., Bedford, Penna.
FLANNERY, MICHAEL M., formerly of 645 Ovington Avenue, Brooklyn, N. Y., 9409 Fortieth Drive, Elmhurst, L. I., 104-11 Washington Avenue, Rockaway Beach, L. I.

GAGE, LOUIS and ETHEL, Jackson, Michigan.
GOLDBERG, S., 4016 Woodland Avenue, Cleveland, Ohio.
GRANET, J., formerly 107 West 26th Street, New York City.
GRANT, RAY J., 1817 Beach St., Flint, Michigan, formerly operated as Grant Bros. Uphol. Company.
GRAYBELLE DRESS CO., formerly at 538 Bushwick Avenue, Brooklyn.
HAFTERSON, OTIS, last doing business as Hafterson Top and Body Works, at 513 B'way, Bismarck, N. D.
HART, H. K., formerly with the Parkway Frocks, Inc., Bedford, Pa.
KEENAN, HOWARD O., Lansing, Flint and Jackson, Michigan.
KEOGH, R. M., formerly President of the Efficiency Equipment Co., also traded under the name of Kozy Kitch Sales Company, Pittsburgh, Pa.
LAWTON, LOUIS, formerly of the Lawton Sportwear Co., 39 West 37th Street, New York City.
LEVISON, H., formerly of Arcola, Ill.
LOWENTHAL, ALVIN, formerly of Ridgefield Park, N. J.
MAYER, JOSEPH A., 6109 Lansdowne Avenue, Phila., Pa. Believed to be somewhere in the vicinity of Oak Lane, Phila.
MILLIGAN, DAVID K., formerly of Continental Fabrics, Inc., 160 Fifth Avenue, New York City.
ROSENBLATT BROS., formerly 65 Suffolk Street, New York City.
ROSENZWEIG, HENRY, formerly Prop. Peoples Drug Store, Republic, Penna.
SHENDER, ALBERT A., formerly 4958 Rising Sun Avenue, Philadelphia.
SMITH, H. C., formerly in the real-estate business in Cincinnati, prior to that in South Bend, Ind., where he was reputed to be president of the United States Service Corp. Understand he operated Tremont Hotel, Wabash, Indiana.
WEISS, HY. L., Lansing, Flint, Jackson and Detroit, Michigan.
WELLENDER, J., formerly 270 S. Maple Avenue, Fernrock, N. J.
WIENER, BEN, formerly Ben Wiener Clothing Co., Inc., 141 Fifth Ave., New York City.

WANTED

General Credit Manager

for Paint Manufacturing concern doing a national business. Must be thoroughly experienced in paint and hardware line and also a good executive, capable of directing branch credit men and of handling complicated problems in credits and collections. Wonderful opportunity for the right man. State experience, age, present employer, reference, and salary expected. This is not an ordinary position and only high grade men need apply. Write Box P W 20, Credit Monthly, One Park Avenue, New York.

Balance Sheets of Management

A GROWING interest in the managerial acumen of debtor concerns as a factor in credit appraisal was evident at the joint meeting of the National Association of Credit Men and the Taylor Society, held in New York recently, in connection with the annual convention of the latter organization.

A number of leaders in the credit field, including several officers and former officers of the National Association of Credit Men, gathered at the invitation of the Taylor Society with some 500 industrial engineers, bankers and other experts in management to discuss the subject. Dr. Stephen I. Miller presided.

A paper placed in the hands of each person attending the meeting set forth a number of points to be considered in arriving at a "balance sheet of management" to be used as a supplement to financial statements. Discussion revolved around this document.

Several credit executives who discussed the plan expressed doubt that a "balance sheet of management" could ever be developed with the mathematical accuracy of a financial statement, but said that the outline proposed would undoubtedly be of value in analyzing the management of debtor concerns.

An interesting suggestion made in this connection was that local credit associations, or several of them co-operatively, might find it profitable to

POSITION WANTED BY EXPERIENCED CREDIT MANAGER AND AUDITOR

Twenty-seven years with one concern. Also several years sales, accounting and office manager experience. Large responsibility invited. Age 43. Address Box 21 PW, Credit Monthly, One Park Avenue, New York, N. Y.

POSITION WANTED

Man, 29 years old, now in charge of the collection of several million dollars in accounts annually, desires position as assistant to able Credit Executive, where the opportunity to study proper Credit practices is of first importance. Address Box 22 PW, Credit Monthly, 1 Park Avenue, New York, N. Y.

WRITE more EASILY WITH LISTO PENCILS and LEADS

A Million Users Know Their Superiority
LISTO PENCIL CORP., Dept. H., Alameda, Calif.

employ an expert in management, whose services would be available to members. Dr. Miller pointed out that this plan approximates very closely the Business Service plan now being used advantageously by several associations.

One point upon which all speakers agreed was that more attention should be paid to the factor of management in making credit analyses, particularly where large risks are involved. It was agreed that both organizations should give further consideration to the matter of working out management analysis forms, appropriate to different types of business.



IN THE MODERN OFFICE

An idea and experience exchange on equipment, system and management in the modern credit and business office.



The Vertical Cashgard Chest for Perfect Hold-up Protection

A Chest that combines both hold-up and burglary protection and is so designed that it permits the use of 100 per cent. of its storage space and eliminates all unnecessary handling of money is the No. 170 Vertical Cashgard Chest, a recent product of the research laboratory of the Diebold Safe & Lock Co., Canton, Ohio. While especially adapted to hold-up protection it qualifies for the best burglary insurance rates.

This new chest is designed to defeat daylight hold-up attack by removing the cash on the premises from the owner's control . . . beyond the reach of the bandit. All money as it accumulates in excess of the minimum change fund is deposited through a slot in the inner

door of the chest into the money bag attached to the inner door. Here it remains until the collector calls to collect the cash for bank deposit. The cashier totals the accumulative deposit slip and inserts one copy in the bag through the slot in the inner door.

The cashier and collector each have a different key for the duo-control key-lock on the inner door, both must be operated simultaneously to open it. The cashier seals the bag and hands it to the collector who delivers it to the bank for checking against the cashier's deposit slip. Handling and verification, by and for the collector are eliminated. Less handling, less bandit temptation, less waste of time.

At night the change fund is placed in the space between the inner and outer doors. Thus all cash on the premises is under burglary protection.

This chest is one of a complete line, all of which are designed for any system of handling cash whether bank deposit is made by the cashier, company collector or a collection agent.

Unfair Discount Card

To help credit executives meet the problem of unfair discount deductions, the National Association of Credit Men has devised the card which is reproduced herewith. Its actual size is 5 1/2 inches x 3 1/2 inches and it is printed in black on buff. The wording of the card is courteous and direct and should be of material aid to credit executives who wish to take a firm and consistent stand in this matter. Supplies of the card may be ordered from the Sales Department at the National Office, One Park Avenue, New York.



Your remittance of
\$..... in amount, is \$.....
less than the amount shown on our books.

This may be a miscalculation in discount or a deduction after the discount period elapsed. Our definite discount terms have been explained, and reference to your records will undoubtedly enable you to detect the mistake.

When you have checked our figures, we know that you will take pleasure in sending us a supplementary remittance.

Signed.....

(Member, National Association of Credit Men)



JEST FOR FUN

Easy Money

HIGH—"I'll give you a dollar if you tell me how your business is."
LOW—"Nothing doing!"
HIGH—"Here's the dollar!"

Snappy

LAWYER: "When did this accident happen?"

WITNESS: "Why—er—I think—I think—er—"

LAWYER: "We are not interested in your thoughts. We want facts."

WITNESS: "Well, then, I had better leave. I don't talk without thinking. I'm not a lawyer."

Efficiency

CLERK—I can't live on my salary, Sir.
BOSS—And just when I was going to make you head of our Efficiency Department.

Advancement

"Did you improve financially after marrying?"

"Yes, indeed, my wife demanded money the very first day and I've been advancing steadily ever since."

Generous Reward

"Let me have a penny stamp, please—don't I know you from somewhere?"

"Oh, yes. I saved your life last week."

"Yes, yes, I remember now. Well, then, you may give me twelve penny stamps."

A Worthwhile Tip

JUDGE: I am positive that you committed the crime exactly as I have described it.

PRISONER: No, not exactly, but I surely will follow that procedure the next time, your Honor.

Easy Terms

SALESMAN—You really shouldn't let this opportunity slip by—the price is within reach.

PROSPECTIVE PURCHASER—Just show me where to reach and I'll grab it.

—Sure Enough Humor.

Connecticut A. C. M. Opens Adjustment Bureau

THE Connecticut Association of Credit Men with offices at 23 Temple Street, New Haven, Connecticut, has organized an Adjustment Bureau and a Collection Department, both of which have the approval of the National office. Mr. A. Eugene Beck, who has been Collection Manager at Washington, D. C., and assistant to the Manager in the Adjustment Bureau work of that city, will be Manager of the new Connecticut organization.

The Connecticut Association of Credit Men is the service organization for the four local Associations in the State of Connecticut, Bridgeport, Hartford, New Haven and Waterbury with headquarters in New Haven. The organization covers the entire state of Connecticut. The officers of the Connecticut Association of Credit Men are: G. Harold Welch, President; E. Merrill Beach, Vice-President; E. E. Ogren, Vice-President; J. F. Giffin, Vice-President; Arthur Mahoney, Treasurer; Stephen M. GaNun, Secretary-Manager; Vera B. Dickerman, Asst. Secretary-Manager.

The Connecticut territory is a rich industrial and manufacturing district; fifty per cent. of the hardware produced in the United States is manufactured in Connecticut. The newly organized Adjustment and Collection Bureau serving this district will undoubtedly be a strong link in the National Chain of Adjustment and Collection Bureaus.

A Credit Man's Creed

By R. G. AMO

Credit Manager, Producers & Refiners Corp. of Tennessee, Memphis, Tenn.

1. Give an order right-of-way over everything else. Someone has put in time and effort to secure this business. Back him up and give the customer the service he deserves.

2. Secure all the facts. Then intelligently analyze them.

3. Realize that credit is not granted. Each customer establishes his or her credit standing, and the credit department determines through a thorough investigation whether or not there is a basis for credit. If so, how much?

4. The three "C's" of Credit—Character, Capacity, and Capital—are essential. Don't take a gambler's chance. We are not handing out our own property. We wouldn't give a \$50 or \$100 bill to a stranger. We should use the same caution a banker does.



A SURE way to protect signatures and other writing upon contracts, checks, notes and stock certificates, and other legal and financial documents, is to use Higgins' Eternal Black Writing Ink.

It costs no more than other writing fluids. It protects against the obliterating action of age, air, heat, sunshine, moisture and chemical eradicators. Imparts distinctive writing appearance also. Preferred widely by discriminating business and private individuals.

Made Only By

CHAS. M. HIGGINS & CO., Inc.
Makers of Higgins' American Drawing Inks, Writing Inks and Adhesives for Half a Century.
271 Ninth St. Brooklyn, N. Y.



Many a "good moral risk" has later shown up in the loss column. If we have the urge to gamble, we can play the stock market (with our own money). Only a very few are inherently dishonest, but most losses occur where no credit structure existed when account was opened. If an account is slow with others, it will be slow with us.

5. When a decision is reached, stick to it. Don't sell past credit or time limits. The exceptional case is often a pitfall.

6. Be salesminded in opening accounts but firm on collections. The Company's working capital has made three evolutions: From bank to tank to ledger. Our job is to keep the cycle moving—TURNOVER.

7. Keep all accounts free from errors. Business can be lost through very small misunderstandings.

8. Business Service—To assist dealers to become real merchants by analyzing their business and suggesting improvements in any way that will better their condition, resulting in safer risks and longer life for our outlets.

9. Use good judgment and we will not contribute to the several billion dollars credit losses that occurred last year.



COURT DECISIONS AND WASHINGTON NOTES

COMPOSITION. RENT DUE. SECURITY. (N. Y.)

Motion for an order directing Palma to deposit with the Clerk of this Court the amount of his composition offer in cash and notes property endorsed sufficient to cover the claim of Camstal Building Corporation. The alleged bankrupt is the tenant of certain property, owned by claimant, under a written lease by the terms of which \$1,000. is deposited as security. On June 6, 1930, the date when the involuntary petition in bankruptcy was filed, there was due and unpaid the rent reserved for the months of April, May and the first six days of June 1930, the sum of \$1100., for additional rent, in the form of electric current supplied the sum of \$183.12, amounting in all to \$1283.72. The security under the terms of the said lease was given for the full and faithful performance of all the terms, covenants and conditions of the lease, on the part of the tenant, the alleged bankrupt, which lease does not expire until October 31, 1936. The tenant, the alleged bankrupt, is in possession of the demised premises. No attempt is being made by the landlord at this time to prove a claim for damages in futuro because of a prospective breach of the lease. Held that the landlord does not hold the security solely for the debt sought to be proved, but for the full and faithful performance of all the terms, covenants and conditions of the lease, and therefore it is not possible at this time to apportion the security and the attempt of the bankrupt so to do is premature, as the landlord has the right to hold the security under the terms of the lease until the 31st day of October, 1936. While the landlord has the right to hold the security until October 31, 1936, it cannot thereby, on the composition, obtain payment in full while the other creditors receive a lesser percentage. The landlord, if it proves its claim and receives the percentage offered in composition, must waive its right to apply any of the sum held as security for the payment of the balance due it as set forth in such claim, over the amount paid to it on the composition, and hold the security for the full and faithful performance of all the terms, covenants and conditions of the lease, other than the payment of the difference between the amount of the claim filed and the amount paid on the composition. With the above condition as to waiver of security, the motion is granted and the claim may be proved as an unsecured claim. *Matter of Palma.* U. S. Dist. Ct. Eastern Dist. of N. Y. Decided August 19, 1930.

* * *

ATTORNEY. EMPLOYMENT BY CORPORATION. PAYMENT TO IT OF FEES EARNED. PROPERTY. (MINN.).

Defendant was employed by a bank as vice-president, on a fixed annual salary. By the agreement, defendant was also to continue to practice law, not alone for the bank but generally for others. All fees earned by him in the

practice were to go to and be paid over to the bank and become income of the bank. Large sums were so earned and received by the bank. Held that the findings of the referee, that by this means and practice the bank in fact and effect carried on the general practice of law, are sustained by the evidence. Defendant is held guilty of misconduct in his profession in participating in such practice. A corporation cannot itself practice law, nor can it lawfully do so by hiring an attorney to conduct a general law practice for others for pay, where the fees earned are to be and are received as income and profit by the corporation. The foreclosure of mortgages by advertisement, where an attorney's fee is charged as part of the expenses and included in the costs, is practice of law under the Minnesota statutes. Conducting proceedings in the matter of estates and guardianships in the probate courts of this state is the practice of law. Executors, administrators and guardians, as such, have no right to conduct proceedings in probate court, except as to matters personal to themselves as such representatives. Under the circumstances of this case, censure and not disbarment or suspension is considered a sufficient penalty. *Matter of Otterness.* Supreme Ct. Minn. Decided September 26, 1930.

* * *

FRAUDULENT CONCEALMENT OF ASSETS. PERSONAL PROPERTY EXEMPTION. (N. C.)

Voluntary petitions in bankruptcy were filed by A. L. Hyman, B. Hyman and Charles Hyman as individuals and also as partners. Order of adjudication was signed. First meeting of creditors was held and the bankrupts were allotted their homestead exemptions in the real estate and it was agreed that they might assert their claims for personal property exemptions from the funds in the hands of the trustee. The individual bankrupts were indicted, tried, convicted and sentenced for conspiracy to conceal assets in bankruptcy and they were also indicted for, and pleaded nolo contendere to, conspiracy to violate the postal laws by using the mails to defraud. The bankrupts concealed assets from the trustee and failed to list in their schedules certain policies of insurance and other property, and they used the mails to defraud certain of their creditors by false and fraudulent financial statements. They removed from their store goods, wares and merchandise, and concealed said assets from the trustee and still fraudulently conceal the same from the trustee. The trustee recovered and received the cash-surrender value of certain policies of insurance, but has never recovered any of the other property or assets concealed from him by said bankrupts. The District Court held as a matter of law that said bankrupts were not entitled to recover or receive their personal property exemptions. The question is: Did the bankrupts forfeit their right to personal property exemptions allowed them under the Constitution and

laws of the state of North Carolina by concealing assets from their trustee in bankruptcy exceeding in value the amount of the exemption? Held that textbook writers all seem to be in accord with the proposition that the law of the state of the bankrupts' residence determines largely their rights to their exemptions where there has been a fraudulent concealment of assets. In the face of the undisputed facts in this case, which show that the bankrupts have taken the law into their own hands and deliberately and wilfully allotted to themselves many times more than the exemption laws of the State of North Carolina allows to honest men, they are now asking the court to place a premium on their deliberate and wilful fraud by allowing them in addition thereto five hundred dollars each. The real question presented for decision is whether a bankrupt, be he a knave or not, will be permitted by self-help to obtain a much larger exemption than the law allows, and, still retaining it, demand more. The court thinks not. Judgment affirmed. *Hyman et al v. Stern.* U. S. C. C. A. 4th Cir. (N. C.) Decided September 19, 1930.

* * *

NEGOTIABLE INSTRUMENTS. CHECK. INSOLVENCY OF COLLECTING BANK. (GA.)

Held that the receipt for collection by a bank in this State, at a time when its officers knew it was insolvent, from a regular customer who did not know of such insolvency, of a check drawn upon a bank in another State, upon the condition that in doing so the bank "acts only as depositor's collecting agent and . . . all items are credited subject to final payment . . . and . . . it may charge back any item at any time before final payment," created such bank merely the agent of such depositor for the purpose of collection; and that relation having been terminated after the closing of the bank of deposit, but prior to the payment of the check by the drawer to a correspondent of the bank of deposit, the depositor is entitled to the proceeds thereof in excess of his indebtedness to the bank. *Hogansville Banking Co. v. Wilkinson.* Supreme Ct. Ga. Decided September 13, 1930.

* * *

UNFAIR COMPETITION. SPOOL HOLDER. INJUNCTION. (WISC.)

Plaintiff and defendants each manufactured ribbon-like wrapping twine, wound and sold on a spool, that in use, is inserted in a holder. The holder was given to purchasers of the twine. Plaintiff's charge is that defendants' holder is so like plaintiff's that its use constitutes unfair competition. On a showing by affidavits and exhibits, a temporary injunction was ordered. After changes made in defendants' holder, plaintiff filed a supplemental bill, alleging that the changes were colorable only, and the court granted a second injunction. The spool-holder is not like a container that is emptied and discarded, but is a machine into which, by manip-

ulation of certain parts, the loaded spool is inserted and the empty spool removed. It is urged that defendants have made their spool so that it just fits plaintiff's holder. The exhibits disclose that plaintiff has made its spool so that it fits defendants' old holder, used several years before plaintiff made its holders, and it also fits other holders that had been on the market for twenty-five years. It is also urged that defendants painted their holder a crinkled green in imitation of plaintiff's holder. Defendants admit that about fifteen of the alleged offending holders were so painted, but plaintiff put in evidence a crinkled green holder, used by defendants long before plaintiff so painted its holder. Although defendants still use the crinkled form of painting, it is of yellow, or red, on a blue base, and does not resemble plaintiff's holder. Held that there are such differences between the tension device, in the narrow space between the legs of the mounting, at the right-hand side of plaintiff's holder, and the open, easily adjusted device on the top of the left-hand side of defendants' holder that it seems quite impossible, for that reason alone, that anyone could be deceived. On the front of the base of defendants' exhibit, in black letters, on a gilt back-ground, are the words "De-Luxe Quality," and the name and address of defendants. One may not fail to use his senses and then say that he has been misled. The temporary injunctions should not have been granted. *Elbers and an. vs. Chicago Printed String Co.* U. S. C. C. A. 7th Cir. (Wisc.) Decided March 18, 1930.

SALE OF STORE. GOODWILL. COMPETITION. RESTRAINT.

Plaintiff purchased from the defendant "the grocery business, together with the entire stock and trade, fixtures and all articles used by the seller in the said business, conducted by him at No. 559 Main Street, Medford, together with the good-will of the said business." Within a year, the defendant opened a new store for the sale of meats, groceries and provisions at No. 518 Main Street about two hundred yards from No. 559 and on the opposite side of the street, where he carried on a business substantially similar. He did not actively solicit trade from his old customers, but about twenty-four of them have come to him, probably owing to the plaintiffs' change to a strictly cash basis at No. 559. Held that the law is that "In each case where the good will of a business is sold and the vendor sets up a competing business it is a question of fact whether, having regard to the character of the business sold and that set up, the new business does or does not derogate from the grant made by that sale." If it does, it will be restrained. There was no error in restraining the impairment. The decree, however, imposes a greater restraint than the facts require. Customers of small grocery stores are those living in the immediate neighborhood. Obviously the sale here was that of a small grocery store. The restraint is against setting up a similar store anywhere in that city. Medford is a city of many thousand inhabitants and several distinct neighborhoods. Here the restraint should be confined to the area within which the store reasonably sought and supplied customers and within which the good will existed. *Martino vs. Bontone.* Supreme Jud. Ct. Mass. Decided February 3, 1930.

DISCHARGE. COMPOSITION. OBJECTION TO CLAIMS. WAIVER. (N. Y.)

The bankrupt obtained the benefit of a discharge by way of a composition unopposed or consented to and thereafter having obtained this advantage proceeded to tie up the payment to his creditor or creditors by subsequent litigation as to their claims. Held that two excellent opportunities were given this bankrupt to object to any claim filed, before the referee made his final report, and again before the Court confirmed the composition. At neither

of these did this bankrupt offer the slightest objection although the fact now complained of was then plainly known to him. A different question is presented where a claim is duly filed with no opportunity to object. Where the bankrupt has had such ample opportunity to object to any claim before a composition is confirmed by the Court he should be and is deemed to have waived his right to object by reason of his delay and neglect, in the absence of fraud or some unusual circumstance. *Matter of Galler.* U. S. Dist. Ct. Eastern Dist. of N. Y. Decided March 26, 1930.

LEASE. SECURITY. RECOVERY BY TRUSTEE. (N. Y.)

Motion for an order denying the petition of William Meyer, to review the order of the referee directing the landlord to pay over to the trustee \$610., less the reasonable value of the use and occupation of the bankrupt's premises, by the receiver, which amounted to \$190. The landlord holds \$800. as security under a lease made by him to the bankrupt, expiring February 28, 1934. A notice of cancellation of this lease was duly given by the landlord. Held that under the rule laid down in the New York courts, the proceeding to recover the security was premature, as the landlord is entitled to retain the security until after February 28, 1934. The petition of the landlord that the trustee pay him for use and occupation of the premises is granted to the extent of \$190. *Matter of Homann.* U. S. Dist. Ct. Eastern Dist. of N. Y. Decided March 17, 1930.

NOTES. ACCEPTANCE ON FALSE FINANCIAL STATEMENT. TORT ACTION. (MICH.)

The Panyard Company, a corporation, was engaged in business in Muskegon Heights. G. V. Panyard was its president. He asked for a line of credit at the plaintiff bank, notes of the company to be endorsed by him and E. B. Dake. The board of directors of the bank decided to extend the credit as requested. Panyard filed a financial statement with the bank, and in it he listed his assets and liabilities showing a net worth of \$40,279.20. Relying on this statement, the bank thereafter accepted notes of the corporation. These notes not having been paid, the bank brought this action in tort against the defendant, alleging in the declaration that the representations made by the defendant in such statement were false and fraudulent. Held that the fraud was completed when defendant, by his false financial statement, induced the plaintiff to loan money on these notes, and a right of action then accrued. Plaintiff had been fraudulently induced by defendant to part with its money, and no legal duty rested on it to seek recovery in an action upon the notes. It seems clear that the damages to which it is entitled are the amounts of the several notes and interest thereon. *First State Savings Bank vs. Dake.* Supreme Ct. Mich. Decided June 2, 1930.

WASHINGTON NOTES

Billions Wasted Yearly in U. S. Trade

Profits of American business men each year are lessened by \$8,000,000,000 to \$10,000,000,000 due to waste, is the assertion of Commerce Department experts. They stated also that waste is responsible for an annual toll of lives equal to the population of a medium-sized city.

Notable progress toward reducing waste in business has been made since the department started its campaign, but the nation's distribution machinery is still described by Assistant Secretary Julius Klein as "haphazard and antiquated." Failures of many firms in the present

depression could have been averted by preventing waste, Klein said.

To analyze retailers' waste problems, experts left recently to study the drug stores of St. Louis. A similar survey of grocery stores already has been made in Louisville, Ky., and a re-check has shown elimination of much preventable waste, the department said.

Business losses attributable to waste were said by Klein to equal the total value of the United States foreign trade annually.

Lives lost through motor and industrial accidents which Klein said were attributable largely to wasteful methods of handling automobile traffic and machinery total more than 30,000 a year. Another 70,000 or more are injured.

To solve the traffic problem, the department is now urging municipalities to adopt a standard traffic code drafted by a committee appointed by President Hoover.

Utilization of by-products was cited by Klein as a major effort to stop waste. Many millions are being saved also through standardizing machinery and parts. Fire losses also are being vigorously attacked.

Production has largely solved its waste problem and American factories generally are held to be the most efficient in the world.

Co-operating to Cut Excess Costs

Evidence that the business world is co-operating through international agreements to deal with the unwieldy surplus now existing in some important commodities is cited in a report made public here today by the American Section of the International Chamber of Commerce.

The report, prepared by H. S. MacLean, American representative at the Paris headquarters of the International Chamber, enumerates a number of international cooperative efforts that have recently been entered into for the purpose of removing unprecedented excess stocks from the path of trade recovery. These include agreements among the world's cane and beet sugar producers in Amsterdam, Brussels and Paris; London negotiations among the coal export competitors of Great Britain, Germany and Poland; Paris agreements of European steel producers; and a score of other international meetings of large and small industries, varying from Arctic whaling companies to South African diamond producers.

International action, Mr. MacLean reports, is even being extended to sales promotion effort and the opening up of new markets for particular products. "In some of the hardest hit as well as in some of the most prosperous industries," he points out, "constructive sales campaigns are bringing new markets to coffee, rubber, non-ferrous metals, steel, chemicals, paper pulp, cement, cotton, and many other products. Even the apparently restricted possibilities of the diamond market have been explored and new sales methods discovered for the alluvial diamonds of Namaqualand."

"One dominant conclusion," he says, "emerges clearly from any survey of present conditions. Business must find how to distribute more widely and efficiently the rapidly increasing volume of wealth produced. It must discover new methods of enjoying the benefits of present veritable revolutions in production costs of old industries and in the rapid growth of new ones, without the present menace of disastrous consequences. Current world under consumption and unprecedented stock of commodities everywhere, the catastrophic unemployment of millions of men and the depreciation of billions of dollars of capital invested in enterprises are international problems, susceptible of solution, which are engaging the earnest attention of leading business men of the world. At the first general international economic conference to be held in the United States this spring by the International Chamber of Commerce an endeavor will be made to offer constructive contributions towards the solution of these problems."

APPROVED ADJUSTMENT BUREAUS

as of January 1, 1931

The services offered by each of the Bureaus listed below are indicated by symbols which appear after each listing, as follows:

A—Assignments

B—Bankruptcy Claims Representation

C—Collections

P—Personal Contact Service

R—Receiverships

T—Trusteeships

Consider our Adjustment Bureaus as a part of your Credit Department.

CALIFORNIA — LOS ANGELES — Rehabilitations and Liquidations. Wholesalers' Board of Trade, 800 Board of Trade Bldg., F. C. DeLano, Mgr. For Collections, see Collection Division, Los Angeles C.M.A. (AB) Note: Independent organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the Los Angeles Association of Credit Men.

LOS ANGELES—Collections and Traveling Adjuster Service. Collection Division of the Los Angeles C.M.A., 804-5 Board of Trade Bldg., Reid Fulman, Mgr. For Rehabilitations and Liquidations, see Wholesalers' Board of Trade. (CP)

OAKLAND—Adjustment Bureau of the Oakland A. C. M., 414 Central Bank Bldg., K. S. Thomson, Mgr. (ABCPR)

SAN DIEGO—Wholesalers Board of Trade & Credit Association, 573 Spreckles Bldg., Carl O. Retsloff, Mgr. (ABCPR)

SAN FRANCISCO—Rehabilitations and Liquidations. Board of Trade of San Francisco, 444 Market St., G. W. Brainard, Sec'y. For Collections, see Collection Dept., San Francisco A.C.M. (ABRT) Note: Independent organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the San Francisco Association of Credit Men.

SAN FRANCISCO—Collections and Traveling Adjuster Service. Collection Department of the San Francisco A. C. M., 500-10 Oceanic Bldg., O. H. Walker, Mgr. For Rehabilitations and Liquidations, see Board of Trade of San Francisco. (CP)

COLORADO—DENVER—Adjustment Bureau of the Rocky Mountain A. C. M., 810 Fourteenth St., James B. McElvy, Mgr. (ABCPR)

CONNECTICUT—NEW HAVEN—Adjustment Bureau of the Connecticut A. C. M., 23 Temple St., A. Eugene Beck, Mgr. (ABCPR)

DISTRICT OF COLUMBIA—WASHINGTON—Adjustment Bureau of the Washington A. C. M., 827 Munsey Bldg., John A. Reilly, Mgr. (ABCPR)

FLORIDA—JACKSONVILLE—Credit Association of Northern Florida, 607-9 Atlantic National Bank Bldg., W. B. Oliver, Mgr. (ABCPR)

MIAMI—Miami Adjustment Bureau Inc. of the Southeastern Credit Asn. of Florida, 27 N.W. Miami Court, F. G. Hathaway, Mgr. (ABCPR)

TAMPA—Adjustment Bureau of the Tampa A. C. M., 5 Roberts Bldg., S. B. Owen, Mgr. (ABCPR)

GEORGIA—ATLANTA—Adjustment Bureau of the Atlanta A. C. M., 305 Chamber of Commerce Bldg., F. H. Sned, Mgr. (ABCPR)

IDAHO—BOISE—Adjustment Bureau of the Boise A. C. M., 208-9 McCarty Bldg., H. L. Streeter, Mgr. (ABCPR)

ILLINOIS—CHICAGO—Adjustment Bureau of the Chicago A. C. M., 1400 Midland Bldg., 176 W. Adams St., H. W. Cline, Mgr. (ABCPR)

INDIANA—EVANSVILLE—Adjustment Bureau of the Evansville A. C. M., 607 Old National Bank Bldg., C. Howard Saberton, Mgr. (ABCPR)

INDIANAPOLIS—Adjustment Bureau of the Indianapolis A. C. M., 901 Peoples Bank Bldg., Merritt Fields, Mgr. (ABCPR)

SOUTH BEND—Adjustment Bureau of the South Bend A. C. M., 829-30 J. M. S. Bldg., E. J. Payton, Mgr. (ABCPR)

IOWA—DAVENPORT—Adjustment Bureau of the Tri-City Credit Men's Assn., 1001 First National Bank Bldg., H. B. Betty, Mgr. (ABPR)

DES MOINES—Adjustment Bureau of the Des Moines A. C. M., 812 Valley National Bank Bldg., Don E. Neiman, Mgr. (ABCPR)

SIOUX CITY—Adjustment Bureau of the Inter-State A. C. M., 601 Trimble Bldg., P. A. Lucey, Mgr. (ABCPR)

KANSAS—WICHITA—Adjustment Bureau of the Wichita Association of Credit Men, 4th floor First National Bank Bldg., M. E. Garrison, Mgr. (ABCPR)

KENTUCKY—LEXINGTON—Adjustment Bureau of the Lexington Association of Credit Men, 28 Northern Bank Bldg., E. M. McGarry, Mgr. (ABCPR)

LOUISIANA—NEW ORLEANS—Adjustment Bureau of the New Orleans Credit Men's Association, 608 Louisiana Bldg., Chas. G. Cobb, Mgr. (ABCPR)

MARYLAND—BALTIMORE—Adjustment Bureau of the Baltimore Association of Credit Men, 301 West Redwood Street, George J. Lochner, Mgr. (ABCPR)

MASSACHUSETTS—BOSTON—Adjustment Bureau of the Boston Credit Men's Association, 38 Chauncy St., J. M. Paul, Mgr. (ABCPR)

SPRINGFIELD—Adjustment Bureau of the Western Mass. Assoc. of Credit Men, 616 State Bldg., H. E. Morton, Mgr. (ABCPR)

MICHIGAN—DETROIT—Adjustment Bureau of the Detroit Association of Credit Men, 1282 First National Bank Bldg., L. E. Deeley, Mgr. (ABCPR)

GRAND RAPIDS—Adjustment Bureau of the Grand Rapids Association of Credit Men, 602-8 Association of Commerce Bldg., Edward De Groot, Mgr. (ABCPR)

MINNESOTA—DULUTH—Duluth Jobbers Credit Bureau, Inc., 501 Christie Bldg., E. G. Robie, Mgr. (ABCRT)

MINNEAPOLIS—Collections and Traveling Adjuster Service; Associated Creditors, Inc., 540-44 Bakers' Arcade, J. L. Brown, Sec'y-Treas. For Rehabilitations and Liquidations see St. Paul. (CP)

ST. PAUL—Rehabilitations and Liquidations. The Northwestern Jobbers Credit Bureau, 241 Endicott Bldg., W. C. Rodgers, Mgr. For Collections and Traveling Adjuster Service, see Minneapolis. (ABRT)

MISSOURI—KANSAS CITY—Adjustment Bureau of the Kansas City Association of Credit Men, 5th floor, Carbide and Carbon Bldg., 912 Baltimore Ave., C. L. Davies, Mgr. (ABCPR)

ST. LOUIS—Adjustment Bureau of the St. Louis Association of Credit Men, 214 N. Sixth St., Orville Livingston, Mgr. (ABCPR)

MONTANA—BILLINGS—Adjustment Bureau of the Montana-Wyoming Association of Credit Men, Box 1184, Meredith Davies, Mgr. (ABCPR)

GREAT FALLS—Adjustment Bureau of the Northern Montana Association of Credit Men, Box 1784, Mrs. M. M. Berthelote, Asst. Mgr. (ABCPR)

NEBRASKA—LINCOLN—See Omaha. **OMAHA**—Adjustment Bureau of the Omaha Association of Credit Men, 1122 Harney St., G. P. Horn, Mgr. (ABCPR)

NEW JERSEY—NEWARK—Adjustment Bureau of the North Jersey Association of Credit Men, 17 William St., Wm. H. Whitney, Mgr. (ABCPR)

NEW YORK—BUFFALO—Western New York Adjustment Corp., 705 Erie County Bank Bldg., James D. Huestis, Mgr. (ABCPR)

NEW YORK CITY—New York Credit Men's Adjustment Bureau, Inc., 470 Fourth Ave., T. O. Sheckell, Mgr. (ABCPR)

ROCHESTER—Collection Bureau of the Rochester Credit Men's Service Corporation, 1135-7 Mercantile Bldg., J. E. Smith, Mgr. (CP)

NORTH CAROLINA—CHARLOTTE—Credit Interchange and Adjustment Bureau Inc. of the Carolina Association of Credit Men, 1117 Commercial Bk. Bldg., S. E. Callahan, Mgr. (ABCPR)

OHIO—CINCINNATI—Commercial & Industrial Engineering Department of the Cincinnati Association of Credit Men, Temple Bar Bldg., J. L. Richey, Mgr. (ABCPR)

CLEVELAND—Adjustment Bureau of the Cleveland Association of Credit Men, 410 Leader Bldg., Hugh Wells, Mgr. (ABCPR)

COLUMBUS—Central Ohio Credit Interchange & Adjustment Bureau, 244 So. Third St., J. E. Fagan, Mgr. (ABCPR)

DAYTON—Collection Dept. of the Dayton A.C.M., 40 Hamiel Bldg., Fifth & Ludlow Sts., Tom B. Talbot, Jr., Mgr. (C)

TOLEDO—Adjustment Bureau of the Toledo Association of Credit Men, 136 Huron St., H. W. Voss, Mgr. (ABCPR)

YOUNGSTOWN—Adjustment Bureau of the Youngstown Association of Credit Men, 1110 Mahoning Bank Bldg., H. B. Doyle, Mgr. (ABRT)

OKLAHOMA—OKLAHOMA CITY—Adjustment Bureau of the Oklahoma Wholesale Credit Men's Association, 907 Cotton-Grain Exchange Bldg., E. E. Barbee, Mgr. (ABCPR)

OREGON—PORTLAND—Adjustment Bureau of the Portland Association of Credit Men, 471 Pitcock Block,

E. W. Johnson, Mgr., W. Redman, Executive Secretary. (ABCPR)

PENNSYLVANIA—ALLENTOWN—Lehigh Valley Adjustment Bureau, 503 Hunicker Bldg., J. H. J. Reinhard, Mgr. (ABCPR)

PHILADELPHIA—Adjustment Bureau of the Philadelphia Association of Credit Men, 1502 North American Bldg., D. A. Longacre, Mgr. (ABCPR)

PITTSBURGH—Adjustment and Service Bureau of The Credit Association of Western Pa., 1213 Chamber of Commerce Bldg., R. H. Coleman, Mgr. (ABCPR)

ALTOONA—Adjustment Bureau of The Credit Association of Western Pa., 1413 Eleventh Ave., Paul A. Kerin, Dist. Mgr. (ABCPR)

JOHNSTOWN—(Eastern Dist. Office) Adjustment Bureau of The Credit Assn. of Western Pa., 632 Swank Bldg., S. I. Lasner, Dist. Mgr. (ABCPR)

UNIONTOWN—Adjustment Bureau of The Credit Association of Western Pa., 701 Fayette Title & Trust Bldg., F. W. Mosier, Dist. Mgr. (ABCPR)

RHODE ISLAND—PROVIDENCE—Adjustment Bureau of the Rhode Island Association of Credit Men, 87 Weybosset St., C. E. Austin, Jr., Mgr. (ABCPR)

TENNESSEE—CHATTANOOGA—Adjustment Bureau of the Chattanooga Association of Credit Men, 115 Hamilton Natl. Bank Bldg., J. H. McCallum, Mgr. (ABCPR)

KNOXVILLE—Adjustment Bureau of the Knoxville Association of Credit Men, 504-14 New Sprinkle Bldg., Dewey W. George, Mgr. (ABCPR)

MEMPHIS—Adjustment Bureau of the Memphis Association of Credit Men, 206 Randolph Bldg., E. C. Correll, Mgr. (ABCPR)

TEXAS—DALLAS—North Texas Adjustment & Credit Interchange Bureau, Suite 322 Santa Fe Bldg., Vernon Hall, Mgr. (ABCPR)

EL PASO—Adjustment Bureau of the Tri-State Association of Credit Men, 622 Caples Bldg., James Neeson, Mgr. (ABCRT)

HOUSTON—Adjustment Bureau of the Houston Association of Credit Men, 433 First National Bank Bldg., Morris D. Meyer, Mgr. (ABCPR)

SAN ANTONIO—San Antonio Wholesale Credit Men's Adjustment Bureau, 313 Alamo National Bank Bldg., Henry A. Hirschberg, Mgr. (ABPR)

UTAH—SALT LAKE CITY—Adjustment Bureau of the Inter-Mountain Association of Credit Men, 1411 Walker Bank Bldg., Robert Peel, Mgr. (ABCPR)

VIRGINIA—LYNCHBURG—Credit Interchange and Adjustment Bureau of the Lynchburg Association of Credit Men, 405 Lynch Bldg., Mrs. M. A. Blair, Mgr. (ABCPR)

RICHMOND—Adjustment Bureau of the Richmond Association of Credit Men, 303-09 Travelers Bldg., J. P. Abernethy, Mgr. (ABCPR)

WASHINGTON—SEATTLE—Adjustment Bureau of the Seattle A. C. M., 200 Colman Bldg., C. P. King, Mgr. (ABCPR)

SPokane—Spokane Merchants Association, 718 Realty Bldg., J. D. Meikle, Mgr. (ABCRT)

TACOMA—Wholesalers' Association of Tacoma, 802 Tacoma Bldg., E. B. Lung, Sec'y, (ABCPR)

WEST VIRGINIA—CLARKSBURG—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., U. R. Hoffman, Mgr. (ABCPR)

HUNTINGTON—Tri-State Credit & Adjustment Bureau, 1200 First Huntington National Bank Bldg., C. C. Harrold, Mgr. (ABCPR)

CHARLESTON—(Branch Office) Tri-State Credit & Adjustment Bureau, Room 402-3, 804 Quarrier St., Ira W. Belcher, Mgr. (ABCPR)

WHEELING—Adjustment Bureau of the Wheeling Association of Credit Men, 719-20 Central Union Bldg., E. K. Pfeil, Mgr. (ABCPR)

WISCONSIN—GREEN BAY—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, 123 N. Washington Street, R. C. Creviston, Mgr. (ABCPR)

MILWAUKEE—Adjustment Bureau of the Milwaukee Association of Credit Men, 632-46 The Milwaukee Gas Light Co. Bldg., Jas. G. Romer, Executive Mgr. (ABCPR)

OSHKOSH—Adjustment Bureau of the Central Wisconsin Association of Credit Men, 311-12 First Natl. Bank Bldg., C. D. Breon, Mgr. (ABCPR)

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